FOREIGN
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Daily Report
Supplement

Central Eurasia

FBIS-SOV-95-131-S
Monday
10 July 1995

Central Eurasia
SUPPLEMENT

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NOTICE: An * indicates material not previously disseminated in electronic form.

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Federal Assembly

Duma No-Confidence Vote Results

MM0507081595 Moscow SOVETSKAYA ROSSIYA in Russian 4 Jul 95 p 2

[Unattributed report: "Who Voted Which Way?"]

[FBIS Translated Text] On 1 July State Duma deputies once again voted on a no-confidence motion in the government. This time there were 189 votes in favor (241 on 21 June 1995), 109 against (72 on 21 June 1995), and 47 abstentions (20 on 21 June 1995).

Who voted which way, broken down individually and by faction—for resignation (+), against (-), abstained (0), did not vote (*). The first column indicates the voting on 21 June 1995, the second shows the voting on 1 July 1995.

"Yabloko"		
V.P. Averchev	+	*
A.G. Arbatov	+	+
G.S. Bondarev	+	+
V.V. Borshchev	*	*
A.G. Vasilyev	+	+
M.K. Glubokovskiy	+	*
A.G. Golov	+	+
V.S. Goryachev	+	+
I.D. Grachev	+	+
O.G. Dmitriyeva	+	+
M.M. Zadornov	+	*
T.V. Zlotnikova	+	+
S.V. Ivanenko	+	+
V.V. Igrunov	+	+
I.L. Lukashev	+	+
V.P. Lukin	+	*
A.Yu. Melnikov	+	+
S.S. Mitrokhin	+	+
A.Yu. Mikhaylov	+	+
N.Ya. Petrakov	+	+
A.I. Tsapin	*	*
V.L. Sheynis	+	*
P.B. Shelishch	+	*
V.N. Shostakovskiy	+	+
G.A. Yavlinskiy	+	*
I.A. Yakovenko	+	+
T.V. Yarygina	+	+
Agrarian Party of Russia		
V.A. Agafonov	+	+
R.B. Asayev	+	*
V.Ye. Balalayev	+	+
A.M. Biryukov	+	+
Ye.M. Bogdanova	+	+
P.T. Burdukov	+	+
Ye.V. Buchenkov	+	+
S.N. Bystrov	+	+
V.F. Vershinin	+	+
A.Ye. Vorontsov	+	*
V.V. Gukov	+	+
A.S. Davydov	*	*
B.I. Danchenko	+	+
A.A. Dolgopolov	+	+
G.T. Dyudyayev	+	+
S.A. Yenkov	+	+
P.V. Yefremov	+	0
A.Kh. Zaveryukha	-	-
N.V. Ivanov	+	0
V.B. Isakov	+	+
P.Ya. Kiriy	+	*
I.Ye. Klochkov	+	*
N.Ya. Kondakov	*	+
N.S. Kotov	+	+
A.T. Kochegura	+	+
V.S. Krylov	+	*
G.V. Kulik	+	+
M.I. Lapshin	+	+
T.I. Leta	+	+
G.A. Medentsov	+	*
V.V. Mikulin	+	+

R.N. Mirsayev	+	+
A.D. Mikhaylov	+ [illegible]	
V.A. Moroz	+	+
A.G. Nazarchuk	*	-
V.I. Naumov	+	*
V.N. Plotnikov	+	*
S.A. Ponomarev	+	*
A.A. Popov	+	*
A.G. Puzanovskiy	+	+
V.P. Repkin	+	+
I.P. Rybkin	*	*
Yu.V. Sokolov	+	+
N.A. Sukhoy	*	*
T.P. Tokareva	+	+
A.A. Turusin	+	+
N.M. Kharitonov	+	+
A.A. Chernyshev	+	-
G.I. Churkin	+	+
A.I. Yaroshenko	+	+
Ye.D. Aypin	-	*
G.A. Alekseyev	*	-
A.L. Amelina	-	-
P.G. Bunich	-	-
D.A. Volkogonov	*	-
N.N. Vorontsov	-	-
Ye.T. Gaydar	-	-
A.Ye. Gerber	-	-
V.I. Golovlev	*	-
V.V. Gritsan	-	-
Yu.S. Gusman	-	-
M.A. Danilov	-	-
B.A. Denisenko	+	+
A.M. Yemelyanov	-	-
G.I. Zadonskiy	-	-
I.I. Zaslavskiy	-	-
V.V. Zelenkin	-	-
B.A. Zolotukhin	-	-

S.A. Kovalev	*	-
V.N. Manannikov	0	0
P.A. Medvedev	-	-
A.V. Minzhurenko	-	-
M.A. Mityukov	-	-
V.V. Mikhaylov	-	-
L.P. Mishustina	-	-
M.M. Molostvov	*	-
A.I. Murashev	-	-
Yu.A. Nisnevich	-	-
A.A. Nuykin	-	-
G.B. Orlanov	-	-
A.A. Osovtsov	*	-
E.A. Pashchenko	-	-
M.N. Poltoranin	+	+
V.V. Pokhmelkin	-	-
A.P. Pochinok	*	-
L.A. Radzikhovskiy	-	-
Yu.A. Rybakov	*	-
V.V. Savitskiy	-	-
B.G. Saltykov	-	-
A.N. Sarychev	*	*
A.I. Sergeyenkov	-	-
Ye.Yu. Sidorov	-	-
I.V. Starikov	-	-
V.I. Tatarchuk	*	-
V.V. Tetelmin	-	-
B.M. Titenko	-	-
G.A. Tomchin	-	-
M.Z. Feygin	*	*
A.B. Chubays	-	-
I.I. Chukhin	+	0
A.Ye. Shabad	-	-
V.N. Yuzhakov	-	*
S.N. Yushenkov	-	-
A.A. Yushchenko	-	-

Democratic Party of Russia

O.T. Bogomolov	+	+
S.Yu. Glazyev	+	+
S.S. Govorukhin	+	+
K.F. Zatulin	+	+
G.Yu. Karelin	+	+
Ye.B. Malkin	+	+
F.S. Pashennykh	+	+
S.S. Sulakshin	+	+
V.L. Talanov	+	*
Yu.N. Yakovlev	+	+
Deputies Who Are Not Faction Members		
V.N. Altukhov	*	*
I.S. Anichkin	+	+
S.N. Baburin	+	+
V.A. Bauer	+	0
N.M. Bezborodov	+	+
N.A. Bikalova	+	+
V.A. Boyko	+	+
V.M. Borzyuk	+	*
A.P. Braginskiy	-	-
T.I. Bulgakova	+	*
G.E. Burbulis	*	-
N.A. Verveyko	+	+
V.V. Vinogradov	*	-
Yu.P. Vlasov	+	+
N.L. Gen	+	0
S.A. Glotov	+	+
A.N. Greshnevikov	+	+
V.S. Grigoriadi	*	*
A.D. Zhukov	+	*
B.I. Zamay	+	+
A.A. Zakharov	+	+
N.A. Zatsepina	+	+
Yu.Kh. Kalmykov	+	+
V.P. Kvasov	+	+
V.V. Kobelev	+	*
V.A. Kovalev	-	-
V.N. Kovalev	+	*
A.V. Kozyrev	*	*
A.Ya. Lezdinsh	0	+
V.S. Lipitskiy	+	+
V.N. Lysenko	*	+
N.N. Lysenko	+	+
S.P. Mavrodi	*	*
A.M. Makarov	-	-
V.A. Marychev	+	+
V.L. Mashinskiy	+	+
A.G. Nevzorov	-	-
T.G. Nesterenko	+	*
V.I. Novikov	+	*
E.A. Pamfilova	+	+
L.A. Ponomarev	*	+
A.V. Pronin	+	*
A.V. Selivanov	+	*
V.M. Smirnov	+	+
S.B. Stankevich	*	-
N.S. Stolyarov	+	+
V.A. Sychev	0	*
V.A. Tikhonov	+	+
N.I. Travkin	-	-
A.M. Traspov	*	*
I.G. Ustinov	*	-
B.G. Fedorov	+	+
I.M. Khakamada	*	-
G.P. Yakunin	*	+
A.P. Aulov	-	-
V.I. Berestovoy	+	*
V.I. Borodin	*	-
N.V. Volkova	0	*
A.I. Voropayev	*	*
A.M. Galiyev	*	*
A.L. Golovkov	-	-
V.V. Goman	+	*
Ye.A. Gusarov	+	-

G.I. Gusarova	*	-
V.A. Davydkin	-	-
G.V. Yegorov	*	*
O.Yu. Zharov	-	-
S.V. Zapolskiy	*	-
I.B. Zubkevich	*	-
V.S. Katrenko	*	*
V.A. Kirpichnikov	+	*
M.M. Kiselev	*	*
V.I. Kosykh	*	*
V.A. Kotlyar	-	-
A.I. Krasnykh		*
V.A. Lepekhin	*	*
[illegible].I. Matyashov	+	*
V.Ya. Medikov	*	*
I.V. Muravyev	+	+
I.Ye. Novitskaya	*	-
A.V. Ochirova	*	*
N.V. Parinov	*	-
A.A. Piskunov	*	0
A.G. Popov	+	*
V.A. Ryzhkov	-	-
Z.I. Sayetgaliyev	*	*
V.P. Utkin	+	+
I.A. Shichanin	*	*
S.N. Shulgin	+	*

"Stability" Deputies' Group

Ye.A. Agafonov	-	-
A.A. Akbayev	*	-
A.I. Aleksandrov	*	-
V.I. Baryshev	-	-
V.Ye. Bulavinov	*	*
Ye.V. Bushmin	*	0
Yu.Ye. Voyevoda	-	-
A.R. Volkov	*	-
S.V. Voronov	0	-
V.N. Gaboyev	-	-
V.I. Gayulskiy	*	*
A.I. Generalov	+	-
A.V. Guskov	+	-
V.I. Danilov-Danilyan	-	-
L.A. Zhadanova	*	-
B.B. Zhamsuyev	*	*
R.F. Ismagilov	*	-
V.I. Kravtsov	*	-
K.E. Laykam	-	-
V.P. Lednev	+	-
A.I. Leushkin	*	-
V.N. Lotkov	*	*
S.A. Markidonov	0	*
V.P. Mironov	*	-
L.V. Nekrasov	*	-
V.I. Nesterenko	-	-
K.N. Panferov	-	-
V.B. Podmasko	-	*
M.I. Popov	*	-
S.A. Popov	-	-
M.A. Putilov	*	-
M.V. Seslavinskiy	-	-
A.M. Tarasov	*	*
M.O. Tolboyev	-	*
N.M. Tropin	*	-
A.Kh. Trushnikov	*	0
V.I. Ustinov	-	-
Ye.A. Fedorov	*	*
B.V. Khulkhachiyev	*	-
T.V. Chertoritskaya	*	-

Communist Party of the Russian Federation

A.V. Aparina	+	+
T.A. Astrakhankina	+	+
V.A. Bayunov	+	+
O.O. Begov	+	+
I.M. Bespalov	+	+

N.G. Bindyukov	+	+
V.A. Bokov	+	+
I.M. Bratishchev	+	+
V.N. Volkov	+	+
N.I. Goncharov	+	+
A.N. Gordeyev	+	+
R.G. Gostev	+	+
T.M. Gudima	+	+
A.N. Zaytsev	+	+
V.M. Zelenin	+	+
V.I. Zorkaltsev	+	+
G.A. Zyuganov	+	+
Yu.P. Ivanov	+	+
V.I. Ilyukhin	+	+
A.V. Ionov	+	+
V.P. Kartashov	+	+
Ye.A. Kosterin	+	+
Ye.S. Krasnitskiy	+	+
Yu.Yu. Leonov	+	+
V.A. Leonchev	+	+
A.I. Lukyanov	+	+
O.O. Mironov	+	+
A.N. Mikhaylov	+	+
V.I. Nikitin	+	+
L.V. Oleynik	+	+
L.N. Petrovskiy	+	+
T.V. Pletneva	+	+
A.A. Ponomarev	+	+
A.F. Potapenko	+	+
S.N. Reshulskiy	+	+
V.I. Sevastyanov	+	+
Yu.K. Sevenard	+	+
G.N. Seleznev	+	+
V.V. Semago	+	+
G.S. Titov	*	*
V.D. Filimonov	+	+
A.K. Frolov	+	+
V.A. Frolov	+	+
K.A. Tsiku	+	+
V.V. Chikin	+	+
V.S. Shevelukha	+	+
O.A. Shenkarev	+	+
S.N. Abeltsev	+	+
N.P. Astafyev	+	+
V.I. Bolshakov	*	+
Ye.A. Bolshakov	+	+
Yu.Ye. Buzov	+	+
M.P. Burlakov	+	+
M.Yu. Vakulenko	+	+
A.V. Vasilishin	+	+
A.D. Vengerovskiy	*	+
V.G. Vishnyakov	+	+
L.D. Gagut	+	+
V.Z. Gvozdarev	+	+
V.K. Gusev	+	*
A.M. Dorovskikh	-	+
S.M. Zhebrovskiy	+	+
V.V. Zhirinovskiy	+	+
V.Ye. Zhuravlev	+	+
V.V. Zhurko	+	+
S.K. Zarichanskiy	+	+
A.A. Zvyagin	+	+
A.A. Zuyev	*	+
V.P. Ivanov	+	+
V.P. Ivanov	*	+
S.V. Kalashnikov	+	+
A.V. Kapustin	+	+
A.M. Kashpirovskiy	*	+
A.V. Kireyev		+
V.V. Kiselev	+	+
A.I. Kozyrev	+	+
V.U. Korniyenko	+	+
S.A. Korobov	+	+
V.M. Kostyutkin	+	+

N.V. Krivelskaya	+	+
Yu.P. Kuznetsov	+	*
M.Ya. Lemeshev	+	+
V.A. Lisichkin	+	+
Ye.Yu. Loginov	*	+
G.G. Lukava	+	+
L.S. Maksakova	+	+
A.V. Mitrofanov	*	+
Ye.E. Mikhaylov	+	+
A.S. Moiseyev	+	+
B.V. Moiseyev	+	+
S.V. Mormin		+
V.V. Pchelkin	+	+
Yu.M. Ruda	+	+
A.S. Sidorov	+	+
M.N. Sidorov	+	+
D.A. Skum	+	+
M.N. Snezhkov	+	+
S.V. Sychev	+	+
Ye.V. Tuinov	+	+
A.V. Filatov	*	*
O.A. Finko	+	+
S.A. Churkin	*	+
A.B. Shipov	+	+
Party of Russian Unity and Accord		
A.N. Arinin	*	-
G.G. Bagautdinov	*	-
S.S. Boskholov	*	-
M.L. Goryachev	*	*
S.A. Zenkin	+	+
K.E. Zuyev	*	*
M.M. Kazhlayev	*	*
V.N. Kozhemyakin	*	-
G.G. Melikyan	*	-
I.Sh. Muksinov	*	*
V.A. Nikonov	*	*
S.P. Polovnikov	-	-
A.Ya. Sliva	*	-
Yu.M. Ten	*	*
A.V. Turbanov	-	-
S.A. Shapovalov	*	-
S.M. Shakhray	*	*
A.N. Shokhin	-	-
"Women of Russia" Political Movement		
F.Sh. Arslanova	*	0
L.V. Babukh	*	0
A.P. Vlasova	+	0
I.Ye. Vybornova	0	0
M.I. Gaydash	0	0
I.G. Gundareva	*	0
M.K. Dobrovolskaya	*	0
A.A. Zhilina	0	0
L.N. Zavadskaya	0	0
G.I. Klimantova	0	0
V.V. Kozhukhova	0	0
Ye.F. Lakhova	0	0
Zh.M. Lozinskaya	+	+
N.D. Malakhatkina	0	0
V.G. Martynova	*	0
S.Yu. Orlova	0	0
G.V. Parshentseva	0	0
R.I. Skripitsyna	*	0
A.V. Fedulova	0	0
Ye.Ye. Chepurnykh	0	0
G.P. Chubkova	0	0
"New Regional Policy" Group		
K.D. Arakchaa	*	0
V.G. Bessarabov	+	0
S.V. Burkov	+	0
V.A. Vasilev	+	0
M.A. Vasilyev	+	0
A.P. Veyer	+	0
G.M. Gamidov	+	*
M.Z. Gnezdilov	*	-

A.S. Dzasokhov	*	0
A.K. Yegorov	+	*
Ye.P. Zhirkov	*	0
G.S. Kalistratov	*	*
Ye.M. Kokorev	+	0
V.A. Kolmakov	+	0
V.N. Maksimov	+	0
V.S. Medvedev	-	-
S.V. Mikheyev	+	0
O.V. Morozov	*	0
A.A. Muravyev	*	-
V.A. Nikitin	*	0
O.F. Ochin	+	0
L.P. Rozhkova	+	+
V.S. Surenkov	+	*
Ye.L. Tishkovskaya	-	-
B.N. Tretyak	+	0
Yu.V. Utkin	+	*
T.E. Chepasova	+	+
A.N. Chilingarov	0	0
N.A. Chukanov	+	0
S.I. Shkuro	+	+
V.B. Shuba	+	*

Economic Issues

*Preview of Consideration of Free Economic Zone Legitimacy

954E1109A Moscow KOMMERSANT-DAILY in Russian 16 Jun 95 p 3

[Article by Aleksandr Volynets: "Customs Zones and Warehouses are Under the Threat of Liquidation"]

[FBIS Translated Text] **In the near future the Constitutional Court must get down to considering the question of the legitimacy of the creation of free customs zones in Russia. The problem arose after the State Duma directed an inquiry to the Constitutional Court about the conformity of the articles of the Customs Code which establish customs regimes of free customs zones and customs warehouses to Article 74 of the Constitution of Russia. If the Constitutional Court deems the introduction of these regimes illegal, the warehouses and customs zones can anticipate a none too brilliant future.**

The problem, which affects the interests of Russian entrepreneurs engaged in foreign economic activity, arose in the course of the development of the draft law "On Free Economic Zones." The law proposes the establishment of a special customs regime similar to free customs zones. That is why the concept of the draft law is based on the provisions of Article 3 of the Customs Code of the Russian Federation, which interprets a free customs zone as being outside of the customs territory of Russia.

Meanwhile, the first paragraph of Article 74 of the Constitution of the Russian Federation indicates that the "establishment of customs boundaries on the territory of the Russian Federation is not allowed." In turn the first and second paragraphs of Article 67 define the territory of Russia as its state territory. This is the basis for the intrigue. The State Duma's inquiry states that Article 3 of the Customs Code contradicts the first paragraph of Article 74 of the Russian Federation Constitution. Thus, adoption of the law "On Free Economic Zones" is proving to be difficult.

The appeal to the Constitutional Court can also have more profound consequences. You see, if the Constitutional Court confirms that the creation of extraterritorial customs territories on the territory of Russia is unlawful, all the already created customs zones, as well as the customs warehouses created on the basis of the Customs Code, automatically find themselves outside the law. The Customs Code adopted in 1993 established previously non-existent customs regimes, among which are free customs zones and warehouses, duty-free stores, and the processing of goods within the customs zone, under customs control (kontrol) and outside the customs territory. All these regimes presuppose the establishment of a customs boundary.

A system of customs warehouses has been established for the storage of imported goods without the collection of customs duties as well as of goods being exported with the refunding or exempting of duties. In other words, the owners of commodity warehouses grant tax credits to the clients, including long-term credits. The maximum period for storing goods at the warehouses is three years. During that time they can undergo grading, the dividing-up of consignments, packaging, labelling, etc. A free warehouse is even more attractive. Apart from the tax credit it affords an opportunity for any industrial and commercial activity (except retail trade). There are no restrictions on the time period for storing goods at free warehouses. Similar operating conditions have also been established by the Customs Code for free customs zones where one can carry out industrial activity.

In principle the provisions about free customs zones correspond to universally recognized norms of international law in the field of trade and economic cooperation and customs matters. And as is correctly noted in the State Duma's inquiry, according to the Russian Constitution universally recognized norms of international law are a component of the Russian Federation's legal system. But the concept of "customs territory" and "state territory" do not coincide in world practice. A free customs zone is part of state territory, but not part of customs territory—this refers to the collection of customs duties and taxes and the organization of customs control. The arguments cited by the State Duma in favor of retaining free customs zones and customs warehouses, of course, will be taken into account when the question is considered in the Constitutional Court. Nevertheless, if one bears in mind that the problem is purely casuistic in nature and depends on the interpretation of the Basic Law of Russia, the future of free customs zones and customs warehouses as well as of the draft law "On Free Economic Zones" is threatened.

[begin boxed items]

The History of the Creation of Customs Warehouses in Russia

The first customs warehouse made its appearance as long ago as 1980 (on the threshold of the Olympics) in Butovo and remained the only one up to 1991.

In 1991 there were already four customs warehouses—Molkom, Oktopus, Vita-Kommerts and Sovindel.

By August 1993 there were already 90.

According to data from the State Customs Committee, by the end of 1994 in Moscow and the oblast alone there were 150 warehouses of varying specialization with a space of from 400 to 30,000 cubic meters, both those equipped with the last word in technology and those not mechanized at all.

Free Customs Zones in Russia

1993. The first three customs zones are established: Sheremetyevo, Moskovskiy Franko-Port, and Franko-Port Terminal.

End of 1994. All Russian regions proceed to the creation of free customs zones, not waiting for governmental decisions. Work began for developing the territory of the Sherizon free economic zone, a decision was taken about creating a free customs zone in Ulyanovsk, and the mayor of Saint Peterburg signed the directive "On Creation of the 'Gavan' Free Customs Zone.

May 1995. The Mayor of Rostov allocates 120 hectares of land for the creation of the Rostov free customs zone. A port, warehouses, industrial terminals and office buildings are due to be located on this parcel.

May 1995. A government decree on the creation of a technical park (a prototype of a free customs zone) in Novosibirsk Oblast is adopted. To finance the technical park it has been decided to make ready an agreement with the World Bank about its granting a state-guaranteed loan.

*Sections of Draft Civil Code Scrutinized

New Procedures for Leasing

954E1118A Moscow ROSSIYSKAYA GAZETA in Russian 16 Jun 95 p 12

[Article by O. Kozyr, deputy department chief, Russian Federation President's Research Center for Private Law: "Renovated Lease. Draft Civil Code Stipulates That the Leaseholder's Product Becomes His Property"]

[FBIS Translated Text] The aim of the draft Civil Code is to provide detailed regulation of the general provisions in a lease agreement without regard to the type of property being leased and to set forth in separate paragraphs the special norms specific to varieties of leasing such as the rental and leasing of vehicles and transport facilities, enterprise leasing, and financial leasing (lizing). A housing rental agreement, according to the drafters, is an independent agreement covered by a separate chapter of the draft, and, in addition, by a special comprehensive normative act—the Housing Code. The draft states that only in cases where the housing is rented by a legal person for its personnel's needs are the rental relations regulated by the norms concerning leases.

The traditional definition of a lease agreement is basically retained in the draft, but now the status of a general rule attaches to the provision that fruit, products, and other earnings obtained by the lessee as a result of using the leased property in accordance with the agreement, shall be the property of the lessee (Article 585). The object of a lease may consist of various property complexes, buildings, facilities, and other nonconsumables—that is, things that do not lose their natural qualities through being used. At the same time, the law may stipulate kinds of property that are not to be leased.

The main duties of the lessor are to turn over to the lessee property that is in a condition consistent with the terms of the agreement and the purpose of the property, to eliminate any defects of the property which would hinder the use of the property, or in some other form to compensate for inconveniences caused by such defects (Articles 590-591); to make capital repairs to the property at the lessor's expense unless something else is stipulated by the law or the agreement (Article 595); and to reimburse the cost of inseparable improvements to the property that are made with the lessor's consent (Article 602). If the lessor fails to comply with these duties, the lessee has the right to have the court cancel the agreement ahead of time and be compensated for any damages to him.

Because a lease agreement is for a fee, the draft devotes much space to leasing fees: It details the forms in which lease payments can be charged, stipulates the lessee's liability for failure to make payment on time, including accumulation of payments (Article 594) and the lessor's ability to demand that the agreement be canceled ahead of time.

The draft makes detailed stipulations regarding extremely widespread subleasing relations. It stipulates the general principle that property can be subleased only with the consent of the lessor (Article 594). But if the main agreement is terminated ahead of schedule (the lease agreement), the sublessee has the special right to conclude a lease agreement on the property that he is using under the sublease within the limits of the remaining period of the agreement on the terms that were stipulated by the lease agreement.

A special article provides for the lessee to buy out the leased property in cases where the buyout is provided for in the law, the lease agreement, or in an additional agreement by the parties (Article 603).

The first variety of a lease covered by the draft is rental (Articles 605-610). Under a rental agreement, movable property is turned over on a lease basis for a short period (up to one year), either property to be used itself (the primary focus of the draft's provisions) or property to utilize to conduct business (machinery, equipment, and so on). An essential element of this agreement is that the person acting as lessor is a professional, and for him concluding the agreement with the person who has come to him is obligatory, if, of course, the property that the person needs is available to rent at the time. The lessee, on the other hand, has the right to cancel the rental at any time (Article 606) and get back the advance fee he has paid (Article 609). All the obligations to repair leased property are the responsibility of the lessor, according to Article 610. At the same time, the lessee is prohibited from subleasing that property or exercising his rights in some other way.

For the first time, the draft stipulates separate regulation of the leasing of vehicles and transport facilities. This refers in particular to marine and river vessels and aircraft which are leased to transport freight and passengers. Unlike other varieties of leasing which are exhaustively regulated by the draft Civil Code, Articles 620 and 628 stipulate the possibility of additional regulation of the lease features of particular types of transportation in special legislation, namely transport charters and codes.

Stipulations on the form of the leasing of transport facilities differ from general stipulations on the lease form: It must be drawn up in written form but need not be registered (Articles 612, 622). Another important feature is that in these cases the lease is not subject to general rules on renewing the lease agreement for an indefinite period after the agreement expires or the lessor's priority right to conclude an agreement for a new period. Whether the transport facility is leased along with management and operating services (a crew) or without such services (without a crew) also determines the parties' obligations under the agreement. Thus, new rules stipulate that when a transport facility is leased with a crew, all obligations involving repairs, including running repairs, as well as liability for any damage done to third parties by the leased facility, are the responsibility of the lessor (Articles 613, 619), while in the case of a lease without a crew, these obligations and liability rest with the lessee (Articles 623, 627). There are other rules that are common to both types of transport leasing but which are distinct from general provisions—in particular, the lessee's right to sublease the facility without the lessor's consent, unless otherwise stipulated by the agreement (Articles 617, 626), while the general rule under Article 594 requires the consent of the lessor for such actions. In addition, the lessee may, without the consent of the lessor, conclude transport agreements in his own right using the leased facility, and other agreements with third parties.

A special paragraph deals with the leasing of an operating enterprise (Articles 629-636). Because enterprises are increasingly subject to business deals these days (the relevant rules on buying and selling enterprises are set forth in Chapter 30 of the draft, published earlier), it is necessary also to regulate the specific relations that arise when leasing property complexes. This also applies to rules concerning the notarial form and registration of an agreement, the inventory of the property covered by the agreement, and the guarantees of creditors' rights, and at the same time the broader rights with regard to the leased property which are granted to the lessee of the enterprise (Article 632). One important rule to encourage lessees to remodel, modernize, or technically retool or expand an enterprise is one that calls for the lessee to be reimbursed for inseparable improvements to the leased property, regardless of whether the lessor authorized such improvements (Article 634).

A type of lease long familiar to countries having market economies but relatively recent in Russia is the financial lease (lizing). The draft code draws on foreign experience and the provisions of international conventions to regulate financial leasing, taking account of the specific role of the lessee who finances the acquisition of the property which is then leased out, and the lessee who chooses this property. Financial leasing extends only to cases of property leasing for entrepreneurial purposes (exceptions include land sections and other natural objects which cannot be the object of an agreement), and it confers on the lessee a number of the rights and duties of a buyer with regard to the property that has been acquired and turned over to him directly by the seller, unless the agreement stipulates otherwise (Article 642).

Introduction of Contract Guarantees

954E1118B Moscow ROSSIYSKAYA GAZETA in Russian 16 Jun 95 p 15

[Article by Candidate of Juridical Sciences Lyudmila Yefimova, consultant, Association of Russian Banks: "Guaranteed Credit. The New Civil Code Institutes Guarantees on Deals, Making It Possible To Do Without Court Rulings"]

[FBIS Translated Text] These days you cannot get a bank loan without presenting some kind of security, such as a mortgage, insurance, warranty, or guarantee. But practical workers know very well that mortgage legislation is ineffective, and drawing up a mortgage sometimes makes it harder instead of easier to obtain credit. The practice of insuring commercial banks' credit risks is totally bankrupt in the banks' eyes, largely because of the dishonesty of some insurance companies, which refuse to pay their obligations. For this reason, warranties and guarantees look to be the most convenient ways to secure bank credit.

Until 1 January 1995, civil legislation viewed guarantees and warranties as a single obligation. Therefore, until Part 1 of the RF [Russian Federation] Civil Code went into effect, a guarantee drawn up on a guarantee letter blank (the form was approved by the Rules on Credit To Finance Production Stocks and Material Expenses No. 1, as approved by the USSR Gosbank on 30 October 1987) was viewed by arbitration practice only as an offer [ofert] (see the letter of the Supreme Arbitration Court of the RF dated 26 January 1994, No. OSHCH-7/OP-48, "Survey of the Practice of Reviewing Disputes Involving the Use, Change, or Cancellation of Credit Agreements"). While the lending bank would try to recover from the guarantor the amount of the loan not paid back by the debtor on the basis of the aforementioned guarantee letter, the arbitration court would inevitably decide that the guarantee relations between the parties had not been properly drawn up and would usually disallow the claim.

The new RF Civil Code (Part 1) has made the bank guarantee an independent legal institution. Just what is a bank guarantee? How does it differ from a warranty agreement, and in what cases can the bank guarantee be used in practice?

A bank guarantee can secure any obligations of participants in a transaction. Foreign banks, for example, make use of various types of guarantees, for example, the guarantee of contract fulfillment (the guaranteed amount is paid in the event that a principal violates the contract); the tender guarantee (the guaranteed amount is paid to the beneficiary if the principal who has won the tender refuses to conclude a contract agreement); the payment refund guarantee (the guaranteed amount is paid to the beneficiary who has paid the principal in advance if the latter fails to fulfill his contractual obligations with regard to product deliveries, completion of a job, or rendering of services); the "standby letter of credit" (the guaranteed amount is paid to the beneficiary if for some reason the principal fails to supply a letter of credit while the beneficiary submits all documents necessary to obtain the money); and so on.

The inclusion of the bank guarantee in the new Civil Code was definitely influenced by international banking practice, where there are two types of bank guarantees. In terms of the payment mechanism, the guarantees are divided into conditional guarantees and guarantees on demand [po pervomu predyavleniyu]. Legal relations arising in connection with conditional bank guarantees are determined by the Uniform Rules on Contractual Guarantees, 1978 (MTP publication No. 325); those relating to guarantees on demand are set by the Uniform Rules for Bank Guarantees on Demand, 1992 (MTP publication No 458). The conditional bank guarantee stipulates that the beneficiary's claims on the guarantor are subject to compliance only if the beneficiary submits, along with his demand for payment, a court ruling against the principal. This constitutes the condition of payment under the guarantee. The guarantee on demand, contrariwise, obligates the guarantor to make payment against the beneficiary's simple demand, without obligating the beneficiary to submit a court ruling or other proof that the principal has failed to fulfill his contractual obligations as stipulated. The new Civil Code reproduces the guarantee on demand, which is the most convenient in practice.

In accordance with Article 368 of the RF Civil Code, under a bank guarantee a bank, other credit institution, or insurance organization (the guarantor), acting on the request of another party (the principal), offers a written pledge to pay a monetary sum in accordance with the terms of the guarantor's pledge, to the principal's creditor (beneficiary), when said beneficiary submits a written demand for payment thereof. If the matter involves the securing of the repayment of credit, the borrower (principal) asks the bank (guarantor) to submit to the lending bank (beneficiary) a guarantee letter which contains the guarantor's pledge to pay the amount stipulated therein in case the principal fails to repay his loan. If the guarantor agrees to the principal's request, they conclude an agreement on furnishing the guarantee. Economists view the furnishing of a guarantee as a variety of bank credit transaction. Therefore, the guarantor bank has the right to demand that the principal pay the bank an appropriate commission. This issue is to be decided in the agreement. Considering the stiff legal terms of a bank guarantee, which places the guarantor in a much more difficult position than that of a warrantor [poruchitel] in a similar situation, the cost of furnishing a bank guarantee ought to be higher than that of furnishing a warranty. For the beneficiary bank, on the other hand, the guarantee is a more reliable way to secure the credit than a warranty; therefore, it is more willing to extend credit on the basis of a guarantee. To be sure, everything still depends on the business reputation of the guarantor or the warrantor.

Principal differences between the warranty agreement and the bank guarantee

1. As stipulated in Articles 361-367 of the RF Civil Code, a warranty is a pledge that is accessory with regard to the basic pledge which it secures. Therefore, it is no longer in force if the basic pledge has been terminated in connection with the payment of the debt or other circumstances stipulated in the law (renewal, offset, of forgiveness of the debt). A reduction in the amount of the basic obligation brings a reduction in the amount of the warrantor's responsibility. If for some reason the basic obligation proves to be invalid, the conclusion of the warranty agreement, as well, gives rise to no legal consequences.

As regulated by Articles 368-379 of the RF Civil Code, a bank guarantee is a guarantor bank's independent obligation that is independent of the credit agreement it is to secure. Article 370 of the RF Civil Code states that the guarantor's obligation to the beneficiary as stipulated by the bank guarantee does not depend, in relations between them, on the basic obligation which it has been given to secure, even if the guarantee contains a reference to this obligation. This feature of the bank guarantee is reflected in the fact that a reduction in the borrower's obligation does not result in a reduction in the amount of the guarantor's responsibility.

2. In accordance with Article 361 of the RF Civil Code, under a warranty agreement the warrantor pledges to a second party's creditor to be responsible for the party's execution of his obligation, in full or in part. Hence, a warranty is an agreement—a bilateral deal; concluding it requires the express agreement of the two parties, the warrantor and the main debtor's creditor. A bank guarantee, on the other hand, is a unilateral deal, and making it requires the express will of just one party—the guarantor. Therefore, the conclusion contained in the earlier letter of the RF Supreme Arbitration Court dated 26 January 1994, No. OSHCH-7/OP-48, "Survey of the Practice of the Review of Disputes Relating to the Use, Change, and Cancellation of Credit Agreements," stating that a guarantee letter is only an offer, is no longer valid.

3. Under a warranty agreement, the warrantor can be any entity enjoying civil competence. In accordance with Article 368 of the RF Civil Code, only a bank, another credit institution, or an insurance organization can act as a guarantor.

4. In accordance with Article 363 of the RF Civil Code, a warrantor and a primary debtor are jointly responsible to the creditor, unless the law or the warranty agreement stipulates the warrantor's subsidiary responsibility—that is, in the case of warranty it is a question of the warrantor's responsibility. When paying the warrantor's demand for payment of a monetary sum in accordance with a bank guarantee, the guarantor bears no responsibility; he merely fulfills his basic obligation. The amount of this obligation is limited to payment of the amount for which the guarantee is given (Part 1, Article 377 of the RF Civil Code). It is only when the guarantor refuses, without sufficient grounds, to pay the guaranteed amount on the beneficiary's demand that he may be subject to proceedings, whose extent is not limited to the amount for which the guarantee is given, unless stipulated otherwise in the guarantee (Part 2, Article 377 of the RF Civil Code).

5. Article 372 of the RF Civil Code stipulates that the beneficiary's right under the bank guarantee to make a claim against the guarantor cannot be transferred to another party, unless the guarantee stipulates otherwise. Under a warranty agreement, the creditor has the right to transfer his right of claim against the warrantor to a third party, on the basis of a transfer agreement, without any restrictions.

6. The warranty is terminated if a debt reflecting the obligation secured by the warrantor is transferred to

another party, unless the warrantor has given the creditor his consent to be responsible for the new debtor (Article 367 of the RF Civil Code). Because a bank guarantee is an obligation that is independent of what is to be secured, transferring the principal's debt with respect to the credit agreement to another party does not entail termination of the bank guarantee.

Considering that the form of the guarantee letter that was drawn up earlier by USSR Gosbank cannot deal with the requirements of today's banking practices, our readers' attention is drawn to the version of the guarantee drafted by the author.

*Author of Draft Law on Securities Market Interviewed

954E1115B Moscow ROSSIYSKAYA GAZETA in Russian 16 Jun 95 p 13

[Interview with Yevgeniy Bushmin, author of the federal law "On the Securities Market," by Yevgeniy Skukin; place and date not given: "The Key to 'Russian Roulette'"]

[FBIS Translated Text] **The State Duma has passed the federal law "On the Securities Market." If the document had come out a year earlier, would it have been possible to avoid the huge scandal involving financial companies which compromised the very idea of a securities market? This is the question our correspondent posed to Yevgeniy Bushmin, the author of the law on securities.**

[Bushmin] I am convinced that if the Finance Ministry and the Procuracy had demanded that the "pyramid builders" comply with the government decrees then in force and the Finance Ministry's directives on the organization of the sale and issuance of securities, these problems simply would not have happened. It is true the Finance Ministry pointed these violations out to the management of MMM early last year. But that is all. Everything should have been stopped then rather than plead that the legal base was inadequate.

[Skukin] Evidently the situation prompted legislators to speed up work on the law?

[Bushmin] Yes, and it is not good. A hasty law is not a good law. But we did not give in to insistent demands to pass a law in September of last year. A half-baked law is even worse than no law.

[Skukin] But now the law is at the gates, so to speak. Is it going to protect us against extortion and fraud?

[Bushmin] Strictly speaking, no law protects anyone. It sets out the "rules of the game" by which the securities market operates.

But a law would be bad, especially a professional law of almost direct action, if it did not also have to do with matters of prevention. And prevention, in this case, consists of open information.

For this reason, a norm has been introduced which obligates anyone issuing securities to issue a quarterly report about what has been acquired with the money from the sale of securities, how many have been distributed, how they are registered, what deals have been made, and who the distributor, contractor, and manager are. This information is submitted every quarter to the Federal Commission, which in turn makes it generally accessible by publishing the basics in its collections.

[Skukin] But Yevgeniy Viktorovich, such a report is not immune to fraud. The issuer can write that the funds were invested in a company that "suddenly closed" and made a loss.

[Bushmin] Indeed, the procedure for using funds is rather complicated. But in the registration process you have to indicate the main directions of the investments. If the use of the money is not in accord with the prospectus, the Law on the Securities Market goes into action. Accordingly, for example, a suit could have been filed against MMM—not for nonpayment of taxes but for actions which the Criminal Code calls misappropriation of funds, or fraud.

[Skukin] You have said that in principle the securities market could somehow regulate itself without our law. But it is, after all, not a copy of the Finance Ministry's directives; rather, it is clearly something fundamentally new.

[Bushmin] Certainly. Finance Ministry Decree No. 76 (1992) says nothing about disclosure or the compiling of reports and prospectuses.

A totally new feature concerns the responsibility of the professional participant in the market. Remember the president's edicts on advertising? Those were just preliminary steps. This law, however, devotes a whole chapter to advertising. And something else: Work on the law was paralleled by the implementation of the president's Edict on the Federal Commission on Securities. The Commission was created under the government. The law gives it an even stronger role as the coordinator in the securities market. That is, everyone is now aware of who is personally responsible for the coordination, starting with the registration of issues and licenses: the Central Bank in the case of attracting funds, the Finance Ministry in the case of simply issuing securities, the GKI [State Committee on Property] when it has to do with state property, and so on. All of this is formulated explicitly, to the full extent, for the first time.

[Skukin] Yevgeniy Viktorovich, which securities—registered or payable to the bearer—does the law give preference to?

[Bushmin] Registered securities are more reliable, of course. But they are the hardest to make deals with given our poorly developed infrastructure of computer networks, communications, and registrars. There is no unified registry for the whole country, and so on. But gradually everything will convert to registered securities, and there will be no problems with either selling or buying them. Meanwhile, I emphasize, our market is prepared to function primarily with securities payable to the bearer.

To be sure, some element of criminality does still remain. Once the market reaches a civilized level, however, the Federal Commission can make decisions as to allocation. That is, the issuer will be told how many registered shares and how many shares payable to the bearer he may issue. And things will lean toward crowding out shares payable to the bearer.

[Skukin] Article 35 of the law states that any information about a securities issue or dividends that have been paid constitutes advertising. At the same time, such information is also part of quarterly reports on securities. Is there not a contradiction here?

[Bushmin] No. A report does not constitute advertising, and is not distributed as advertising. However, even a very precise and meticulous document attesting to how much you have stolen may contain a line that says "Well done!" And that is advertising. That is the rule. If you want to say something good about yourself, publish your own quarterly report.

[Skukin] So advertising is not permissible, then?

[Bushmin] There has to be advertising. But suppose you say: The money I take I pledge to invest, for example, in the construction of homes in the Odintsovo district. That is good advertising. But if you claim to pay interest to shareholders at the rate of 750 percent, that is dishonest advertising; in fact, not everybody earns that much, only maybe 10 or 15 founders. Any one-line excerpt from a quarterly report is advertising. Incidentally, you can not only advertise what you intend to invest money in, but also what you have already invested—for example, what the public gains from a dairy processing facility that you have built, and, if you wish, mention the amount of the earnings you will use for further investment and to pay dividends.

*Federal Law on State Support to Small Businesses

954E1115A Moscow ROSSIYSKAYA GAZETA in Russian 20 Jun 95 pp 3-4

[Russian Federation Federal Law "On State Support for Small Business in the Russian Federation"; passed by the State Duma on 12 May 1995]

[FBIS Translated Text] The present Federal Law is designed to promote citizens' right, as stipulated by the Constitution of the Russian Federation [RF], to use their abilities and property freely to engage in entrepreneurial activity and other economic activity not prohibited by law. This Federal Law sets forth general provisions in the sphere of state support for and development of small business in the RF, and stipulates the forms and methods of state incentives and regulation of the activity of the subjects of small business.

The present Federal Law shall be in effect over all the territory of the RF with respect to all subjects of small business, regardless of the object and goals of their activity, their organizational-legal forms, and forms of property ownership.

Article 1. RF legislation on state support for small business

1. State support for small business in the RF shall be provided in accordance with the present Federal Law and other federal laws published in accordance with it, edicts of the president of the RF, decrees of the Government of the RF, and also laws and other normative legal acts covering the subjects of the RF.

2. If any international treaty of the RF sets rules that are different from those stipulated by the present Federal Law, the rules of the international treaty shall be applied.

Article 2. Separation of powers between the RF and the subjects of the RF

1. The RF shall have the power to define the general principles, priority directions, and methods of state support for small business in the RF, to stipulate procedures for the creation and activity of federal bodies of state authority in the sphere of state support for small business, to draft and implement federal programs for the development and support of small business, which are to be at least 50 percent financed from the federal budget and specialized nonbudgetary funds of the RF, to establish benefits for subjects of small business with respect to federal taxes and other payments to the federal budget and specialized nonbudgetary funds of the RF.

2. Subjects of the RF shall, in accordance with their powers, decide all issues in the sphere of the support

of small business, including the power to use additional measures to support small business from their own funds and resources.

Article 3. Subjects of small business

1. "Subjects of small business" shall mean commercial organizations in whose authorized capital the share of participation of the RF, subjects of the RF, civic and religious organizations (associations), and charitable and other funds does not exceed 25 percent, the share belonging to one or several legal persons who are not subjects of the small business does not exceed 25 percent, and in which the average personnel for the reporting period do not exceed the following maximum levels (small enterprises):

in industry, 100;

in construction, 100;

in transportation, 100;

in agriculture, 80;

in the scientific and technical sphere, 60;

in wholesale trade, 50;

in retail trade and consumer services, 30;

in other sectors and other types of activity, 50.

"Subjects of small business" shall also mean physical persons engaged in entrepreneurial activity without forming a legal person.

Small enterprises engaged in several types of activity (multi-profile) shall be classified as such according to the criteria of the type of activity which has the biggest share in the yearly turnover or the yearly profit.

2. The average number of personnel of a small enterprise during the reporting period shall be determined on the basis of all its workers, including those working on the basis of contracts of a civilian-legal character or on a part time basis, taking account of the time actually worked, and also the personnel of branch offices, affiliates, and other separate units of said legal person.

3. If a small enterprise exceeds the number of personnel stipulated by this Article, said enterprise shall be stripped of the benefits stipulated by laws in force, for the period in which said excess was allowed and for the following three months.

Article 4. State registration of subjects of small business

The subject of a small business shall be considered registered from the time of submitting an application in the form stipulated by the Government of the RF and shall be given the relevant status in the bodies of executive authority that are empowered by the laws in force.

Subjects of the RF, and bodies of local government, shall not have the right to set conditions for the registration of subjects of small business that are additional to the terms stipulated by the laws and other normative legal acts of the RF.

Any denial of state registration of subjects of small business, or unjustified refusal of state registration, may be appealed in court according to established procedures, and the original state fee that was paid shall be refunded to the claimant if the case is decided in his favor. The fee shall be recovered from the defendant.

In the event the court decides that the registration body's actions are illegal, the latter shall reimburse the expenses, to be transferred to the account of the subject of small business after said subject is registered on the basis of the court's ruling.

Article 5. Procedure by which small enterprises are to submit reports

The state statistical and accounting reports of small enterprises shall be submitted according to procedures to be approved by the Government of the RF, providing for simplified procedures and forms of reporting and basically containing information necessary to resolve issues of taxation.

Article 6. State support for small business

1. State support for small business shall be provided along the following lines:

formation of the infrastructure of support and development of small business;

the creation of favorable terms for the subjects of small business to use state financial, material-technical, and information resources, also scientific-technical developments and technologies;

the establishment of simplified procedures for registering subjects of small business, licensing their activity, certifying their products, and submitting state statistical and accounting reports;

support for foreign-economic activities of the subjects of small business, including efforts to promote the development of their trade, scientific-technical, production, and information links with foreign states;

organization of the training, retraining, and the upgrading of qualifications of cadres of small enterprises.

2. Within the limits of their powers, federal bodies of executive authority shall, in the course of implementing policies oriented toward state support for small business:

draw up proposals to improve RF legislation in the field of state support for small business;

analyze the current state of the small business and the effectiveness of measures to provide state support; prepare forecasts of the development of small business and proposals on the priority directions and forms of state support; and submit said proposals to the Government of the RF;

organize the drafting and implementation of the Federal Program of State Support for Small Business; foster participation by subjects of small business in the implementation of state programs and projects, and also deliveries of goods and provision of services for federal needs;

prepare proposals on establishing benefits for subjects of small business with respect to taxation as well as other benefits, also on the use of federal budget funds and specialized nonbudgetary funds of the RF to support small business;

provide aid to bodies of executive authority of the subjects of the RF in drafting and implementing measures to support small business;

coordinate the activity of specialized federal organizations with state participation, providing support to small business [words illegible]

Article 7. State programs for supporting small business

1. State support for small business shall be provided in accordance with the Federal Program of State Support for Small Business, regional (interregional), sectoral (intersectoral), and municipal programs of development and support for small business—said programs to be developed, respectively, by the Government of the RF, bodies of executive authority of the subjects of the RF, and bodies of local government.

The Government of the RF shall annually, prior to submitting the federal budget, submit to the Federal Assembly of the RF for consideration a draft of the Federal Program of State Support for Small Business.

Appropriations to implement the program shall be provided annually in the federal budget.

2. State and municipal programs of support for small business shall include the following basic provisions:

measures to form the infrastructures for the development and support of small business on the federal, regional, and local levels;

prospective directions of small business, and priority types of activity of subjects of small business;

measures taken to implement the basic directions and develop the forms of support for small business;

measures to encourage socially unprotected strata of the population to engage in business activity, including the handicapped, women, young people, discharged servicemen, the unemployed, refugees and forced migrants, and persons released from prison;

proposals on the granting of tax breaks and annual appropriation of funds from the appropriate budgets for the support of small business;

measures to ensure that subjects of small business are provided with the findings of scientific-research, experimental-design, and technological projects, as well as innovation programs;

measures to transfer to subjects of small business uncompleted construction projects and vacant facilities as well as unprofitable and loss-making enterprises on favorable terms;

measures to give subjects of small business the prior opportunity to buy out real estate holdings they are leasing, taking account of funds they have already invested in said facilities.

State programs for the support of small business shall be drawn up according to procedures established by the laws in force, and are to be coordinated with state programs to provide employment, implement migration policy, solve economic problems, and eliminate the consequences of disasters.

3. Financial support of state and municipal programs for the support of small business shall be provided annually by funds from the federal budget, funds from the budgets of the subjects of the RF, and funds from local budgets, as well as from other sources stipulated in Part 1, Article 8 of the present Federal Law.

The amount of obligatory funds to be appropriated annually shall be indicated in the expenditure part of the Federal Budget as a separate item, on instructions of the Government of the RF.

The amount of financing of said programs from the budget funds of subjects of the RF and funds from the local budgets shall be indicated in the expenditure sections of the appropriate budgets as a separate item, on instructions of the bodies of executive authority of the subjects of the RF and bodies of local government.

4. Enterprises, institutions, and organizations—regardless of their organizational-legal form and form

of ownership, and civic associations, shall have the right independently to draft and implement programs for the support of small business, to create funds for the support of small business, and also to submit proposals to bodies of executive authority and bodies of local government on the incorporation of separate projects and measures in state and municipal programs for the support of small business.

5. The Government of the RF shall annually submit to the State Duma a report on the current state and development of small business in the RF and measures of state support for small business, including an account of the use of funds from the federal budget for purposes of state support for small business.

Article 8. Funds for the support of small business

1. A fund to support small business consists of a noncommercial organization created to finance programs, projects, and measures designed to support and develop small business, through the accumulation of budget funds, funds derived from the privatization of state and municipal property, income from individual activity, voluntary donations by physical and legal persons (including foreign), income from the issue and placement of securities, and also income from interest on preferential loans allocated on a competitive basis to subjects of small business.

A fund to support small business is a legal person.

The basic directions of activity of a fund to support small business shall be:

to promote the formation of market relations on the basis of state support for small business and the development of competition through the attraction and effective use of financial resources to implement goal-oriented programs, projects, and measures in the field of small business;

to participate in the drafting and implementation of appraisal and competitive selection, as well as the implementation of federal, regional (interregional), sectoral (intersectoral), and municipal programs of development and support of small business, projects in the field of small business, demonopolization of the economy, development of competition, saturation of the goods market, and the creation of new jobs;

to participate in the formation of a market infrastructure that provides equal conditions and opportunities for engaging in activities of small business;

to support innovative activity of business structures, stimulate the development and production of fundamentally new types of products, and foster the adoption of new technologies and inventions;

to assist the attraction of Russian and foreign investment in order to implement prior directions of activity with respect to creating a competitive environment and developing small business;

to organize consultation services on taxation and the application of legislative norms.

2. The financial support of the federal policy in the sphere of state support for small business shall be provided by the Federal Fund for the Support of Small Business created by the Government of the RF.

Funds of the Federal Fund for the Support of Small Business shall be formed from funds of the federal budget as well as other sources provided for the present Article.

The Federal Fund for the Support of Small Business is the agent of the Federal Program of State Support for Small Business.

The Federal Fund for Support of Small Business may act as guarantor for special-purpose foreign credits offered to the RF to support small business, as well as investment credits offered by credit organizations of the RF to subjects of small business on a commercial basis in order to implement specific programs and projects in the sphere of small business.

Interaction between the Federal Fund for the Support of Small Business and state and municipal funds for the support of small business shall be on the basis of principles of equality of the participants and mutual economic interest and responsibility.

The Statute on the Federal Fund for the Support of Small Business (Charter) shall be approved by the Government of the RF.

3. State and municipal (including specialized) funds for the support of small business are those funds instituted by federal bodies of executive authority and bodies of executive authority of the subjects of the RF (bodies of local government) which are empowered to do so, in whose authorized capital the participation of the RF, subjects of the RF, and municipal units is at least 50 percent. Income from the activity of the Federal Fund for the Support of Small Business, and state and municipal funds for the support of small business, shall remain at their disposal, are not subject to taxation, and shall be used to implement the goals and tasks stipulated in the present Federal Law.

Procedures for allocating funds from state and municipal funds for the support of small business and the use of these funds to provide guarantees to subjects of small business shall be stipulated by said funds, subject to technical-economic substantiations of the programs, projects, and measures in the sphere of small business.

State and municipal funds for the support of small business shall have the right to grant subjects of small business preferential credit, interest-free loans and short-term loans without acquiring a license for banking activities.

The tasks and functions of state and municipal funds for the support of small business shall be set forth in their charters, to be approved by federal bodies of executive authority, organs of executive authority of subjects of the RF, and bodies of local government empowered to create such funds.

The basic tasks of these funds shall include:

providing financial aid on a fee-charging and no-fee basis in the implementation of programs of demonopolization and reprofiling of production in order to develop competition and saturate the goods market in accordance with laws in force;

functioning as mortgagor, warrantor, and guarantor for the obligations of small enterprises;

share-participating in the creation and activity of management subjects fostering the development of the market infrastructure, specialized consultation organizations and information systems for the support of small business and the development of competition, systems of consumer appraisal and certification of goods and services;

financing of measures of training, retraining, and upgrading of qualifications of cadres for small enterprises, supporting new economic structures, and protecting consumers' rights;

financing scientific research, scientific-practical conferences, symposiums, and meetings, including international conferences, relating to the activities of said funds;

implementing measures designed to attract and make effective use of funds from Russian and foreign investors, including competitions, auctions, exhibits, and lotteries, also implementing transactions with securities according to procedures established by laws in force;

organizing the collection and processing of legal, patent-licensing, and other kinds of information of interest to the subjects of small business, studying the conditions of the domestic market, and providing consultation and organizational-methodological aid in the drafting of programs and projects in the sphere of small business;

engaging in foreign economic activity according to established procedures, taking part in international programs and projects in the sphere of small business.

4. Procedures for channeling funds from the appropriate budgets into state (municipal) funds for the support of small business, and procedures for monitoring the use of said funds, shall be set by the appropriate bodies of representative authority (bodies of local government).

Article 9. Levying of taxes on subjects of small business

1. Procedures for levying taxes on subjects of small business and exempting them therefrom, also deferment and extension of tax payments, shall be established in accordance with the tax laws.

If changes in the tax laws create conditions that are less favorable for subjects of small business compared with conditions existing formerly, said subjects shall, for the first four years of their activity, be subject to taxation under the same procedures that were in effect when they were registered by the state.

2. Tax breaks for subjects of small business, for funds for the support of small business, investment and leasing companies, credit and insurance organizations, and also enterprises, institutions, and organizations which are created for purposes of doing work and providing services for subjects of small business, shall be set by the laws of the RF and the laws of the subjects of the RF.

Article 10. Accelerated depreciation

Subjects of small business shall have the right to use accelerated depreciation of fixed productive assets, assigning expenses to the costs of production in an amount that is twice the norms that are stipulated for the relevant types of fixed assets.

Along with the use of the mechanism of accelerated depreciation, subjects of small business may write off additionally, as depreciation deductions, up to 50 percent of the original cost of the fixed assets having a service life of more than three years.

If the small enterprise ceases operation before one year has elapsed since it went into operation, the amounts of additional charged depreciation shall be subject to reinstatement by increasing the balance profit of said small enterprise.

Article 11. Preferential credits for subjects of small business

1. Subjects of small business shall be provided credit on preferential terms, and credit organizations shall

be reimbursed for the relevant difference by funds for the support of small business. Moreover, credit organizations providing credit to subjects of small business on preferential terms shall be granted benefits according to procedures stipulated by the laws of the RF and of the subjects of the RF.

2. Funds for the support of small business shall have the right to reimburse credit organizations in whole or in part for income they did not gain while providing credit to subjects of small business on preferential terms.

The amounts, procedures, and conditions on reimbursement shall be set by an agreement between the credit organization and the appropriate fund for the support of small business.

Article 12. Credit unions of subjects of small business

1. Credit unions of subjects of small business shall be set up to accumulate temporarily free monetary funds of the participants of said unions in order to provide financial aid to them.

2. Credit unions of the subjects of small business:

shall have the right not to deposit obligatory reserves in the Central Bank of the RF;

may assign the management of their resources to a bank of deposit or other credit organization;

shall determine the amount, frequency, and procedures governing deposits (contributions) by participants in said unions, and also maximum amounts, terms, and conditions for financial aid to them;

shall not have the right to provide money to physical and legal persons that are not participants in said unions.

Article 13. Insuring subjects of small business

Insurance for subjects of small business shall be provided on preferential terms. Moreover, insurance organizations providing insurance for subjects of small business shall enjoy benefits under procedures stipulated by laws in force.

Funds for the support of small business shall have the right to compensate insurance organizations in full or in part for earnings they do not receive as a result of insuring subjects of small business on preferential terms.

Amounts, procedures, and conditions for the compensation shall be set by an agreement between the insuring organization and the relevant fund for the support of small business.

Article 14. Participation of subjects of small business in the production of goods and services for state needs

The Government of the RF and bodies of executive authority of the subjects of the RF shall ensure that a certain percentage of orders for the production and supply of particular types of goods and services for state needs are reserved for subjects of small business.

When drawing up and placing orders and concluding state contracts for the purchase and delivery of products and goods or services for state needs involving types of goods which the Government of the RF and bodies of executive authority of the subjects of the RF classify as priority, state buyers shall place with subjects of small business at least 15 percent of the total amount of deliveries of the given type of product for state needs, on the basis of competitions for said deliveries among subjects of small business.

Article 15. Support for foreign economic activity by subjects of small business

1. Federal bodies of executive authority and bodies of executive authority of the subjects of the RF shall implement measures to expand participation by subjects of small business in export and import transactions, also measures enabling said subjects to participate in implementing programs and projects in the sphere of foreign economic activity and facilitating their participation in international affairs and exhibits.

2. Amounts, procedures, and conditions on the reimbursement of expenses relating to support for foreign economic activity shall be stipulated by an agreement between the subject of small business and the appropriate state or municipal fund for the support of small business.

Article 16. Support for subjects of small business in the sphere of information

1. Federal bodies of executive authority, bodies of executive authority of the subjects of the RF, and bodies of local government shall draw up and implement measures to create the necessary information infrastructure to enable subjects of small business to obtain economic, legal, statistical, production-technological, and other kinds of information necessary for their effective development and also to exchange said information among themselves.

2. Information services for subjects of small business shall be provided on preferential terms as stipulated by laws in force. Moreover, enterprises, institutions, and organizations providing information services to subjects of small business shall be granted benefits according to procedures stipulated by laws in force.

3. Funds for the support of small business shall have the right to reimburse subjects of small business in full

or in part for expenses involved in the provision of information services in their activity.

4. Amounts, procedures, and conditions on the reimbursement shall be set by an agreement between the subject of small business and the appropriate fund for the support of small business.

Article 17. Production-technological support for subjects of small business

1. Federal bodies of executive authority, bodies of executive authority of the subjects of the RF, and bodies of local government shall draw up and implement a complex of measures to help provide subjects of small business with up-to-date equipment and technologies, create a network of industrial parks, leasing firms, business incubators, production-technology centers, and other infrastructure components created to support subjects of small business.

2. Federal bodies of executive authority, bodies of executive authority of subjects of the RF, and bodies of local government shall implement measures to place orders for the production and delivery of specialized equipment and other types of products for subjects of small business and help to create and organize activities by subjects of small business, specialized wholesale markets, and fairs of the products of subjects of small business, including by means of providing buildings, facilities, equipment, and production and auxiliary space and other property owned by the state or municipality.

3. Production-technology support for subjects of small business may be provided on preferential terms. Moreover, enterprises, institutions, and organizations providing production-technology support for subjects of small business shall be granted benefits under procedures established by laws in force.

Article 18. Support for subjects of small business in the sphere of training, retraining, and upgrading of qualifications of cadres

Federal bodies of executive authority, bodies of executive authority of subjects of the RF, and bodies of local government shall foster the development of a system of training, retraining, and upgrading of qualifications of cadres for small business. Institutions and organizations providing the training, retraining, and upgrading of qualifications of cadres for small business shall be granted benefits under procedures established by laws in force.

Article 19. Unions (associations) of subjects of small business

1. Federal bodies of executive authority, bodies of executive authority of subjects of the RF, and bodies of local government shall provide support in organizing and promoting the activity of unions (associations) of subjects of small business that are created under established procedures as civic associations in order to foster the most favorable conditions to develop small business and honest competition, to enhance the responsibility and competence of subjects of small business, and provide collective protection for their interests in bodies of state authority.

2. State support for unions (associations) of subjects of small business shall be provided by enabling them to acquire, on preferential terms, facilities and communications necessary for the activity of said unions (associations) as well as enterprises, institutions, and organizations created by them, and also for the holding of organizational or public events, getting representatives of unions (associations) of subjects of small business involved in the preparation of draft laws and other normative legal acts and programs of socioeconomic development of the subjects of the RF, and providing opportunities to use the media in order to popularize the ideas of small business.

3. In order to perfect the system of state support for small business and coordinate the efforts of unions (associations) of subjects of small business, representatives of bodies of state authority, unions (associations) of subjects of small business and civic associations of entrepreneurs may be enlisted to form councils attached to executive authority of the RF, bodies of executive authority of subjects of the RF, and bodies of local government, to foster the development of small business, said councils' functions and powers to be stipulated by the appropriate bodies of executive authority and bodies of local government.

Article 20. Noncommercial associations of subjects of small business

For purpose of accomplishing joint tasks relating to the development and activity of subjects of small business, the latter may create noncommercial associations which shall have the right to engage in production and other entrepreneurial activity solely in order to accomplish their charter tasks.

Article 21. Bringing normative legal acts into line with the present Federal Law

Normative acts of the president of the RF, the Government of the RF, and departmental normative legal acts of bodies of state authority of the subjects of the RF and bodies of local government, shall be subject to being brought into line with the present Federal Law within two months after it goes into effect.

Article 22. Transitional provisions

Subjects of small business that have been registered in any organizational-legal form and have been classified as small enterprises prior to the time the present Federal Law goes into effect shall be granted benefits established for subjects of small business to the full extent and for the entire period stipulated by laws in force prior to the time the present Federal Law goes into effect.

Article 23. Effectiveness of the present Federal Law

The present Federal Law shall go into effect from the day it is officially published.

[Signed] **Russian Federation President B. Yeltsin**

Moscow, Kremlin
14 June 1995
No. 88-F3

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*New Approach to Federal-Regional Budget Relations Urged

954E1142A Moscow FINANSOVYYE IZVESTIYA in Russian 27 Jun 95 p 4

[Article by Aleksey Lavrov, chief analyst of the President of Russia's Analysis Department: "Reform of Interbudget Relations Is Essential for the Achievement of Financial Stabilization"]

[FBIS Translated Text] A reduction in public expenditures, primarily economically and socially inefficient grants and subsidies to various branches of the national economy, is a principal prerequisite of a lowering of the budget deficit and the achievement of financial stabilization.

The national economic expenditure of the federal budget in 1992-1994 relative to GDP declined more than twofold—from 6.1 percent to 2.9 percent—whereas the analogous expenditure of the regional budgets grew from 5.3 percent to 7.2 percent of GDP. As a result 71 percent of overall budgetary expenditures on the national economy in 1994 (including the bulk of grants and subsidies) was financed by components of the Federation. According to data of the Ministry of Finance, 45 trillion rubles [R] were spent last year from territorial budgets of all levels on the national economy (mainly on housing and public utilities, agriculture, and transport). Of these, direct outlays on grants and compensation for price differences, which constituted 3.5 percent of GDP or 20 percent of the overall budgetary expenditures of components of the Federation, accounted for almost half (R22 trillion). The overall amount of grants and subsidies of various types financed from regional budgets, however, amounts, according to the estimates of specialists of the Economic Analysis Institute, to 5-6 percent of GDP.

Thus from the standpoint of interbudget relations a particular feature of the current situation is that the budget deficit is concentrated wholly at the level of the federal budget, whereas the main reserves for a reduction in budgetary expenditure are concentrated at the level of the territorial budgets. Accordingly, for the successful realization of the program of financial stabilization the federal government should, first, possess the financial levers for "pushing" the regional organs of power and administration into a reduction in irrational expenditure and, second, have the possibility of using the savings arising at the lower levels of the budgetary system for reducing the federal budget deficit.

A way of accomplishing this task is the transfer to the federal budget of the funding of the grants due to be eliminated with the corresponding redistribution in its favor of tax receipts. As a result the federal government would acquire the opportunity to reduce the level of subsidies to this branch or the other, channeling some of the funds thus released into the disbursement of targeted allowances for the socially vulnerable strata of the population. The main savings, on the other hand, could be used to reduce the federal budget deficit. But the federal government would have if only for a time here to assume the responsibility for the operation of the subsidized branches of "local" significance.

A "softer" version is the organization of the shared funding from the federal and territorial budgets of the grants and subsidies that are being cut back. The corresponding expenditure item, appropriations in respect to which would be transferred to the regions in the form of targeted subventions, would appear in the federal budget here. A consistent reduction in these subventions would stimulate the regional authorities either to lower the level of subsidies to the branch or to fund them only from its own resources.

The obvious advantage of this approach is the preservation of the branch within the jurisdiction of the local authorities. But the rate of fulfillment of the program of a reduction in grants could prove lower than in the previous case inasmuch as the indirect financial inducements could prove insufficient for prompting the regional authorities to pursue an austere and, as a rule, unpopular fiscal policy.

The same may be said also concerning the use for the accomplishment of the set tasks of federal assistance of a general (nonspecific) nature. Both purely administrative measures (the exclusion of a region from the ranks of those in "need" or in "particular need" of support in the event of its failure to comply with the timetable for a reduction in the subsidy dependence of a branch) and financial measures (a reduction in the amount of transfer payments by the value by which a region has exceeded "normative" outlays on subsidies to a branch, adjustment of the composition of the expenditure considered in budget equalization formulas, and so forth) could be applied within the framework of the operative model of interbudget relations (the formation as part of the federal budget of a regional support fund and subsequently its distribution among those deemed to be "needy" or "particularly needy" regions according to special formulas). The creation within the framework of the overall amount of the resources intended for financial assistance to the regions of a federal fund used only for the support of regions pursuing an austere fiscal policy is possible also.

Finally, the federal authorities could, in accordance with a schedule established in advance, gradually redistribute the tax receipts in favor of the federal budget and/or reduce the overall amount of transfer payments to the regions from the federal budget, justifying these measures by a lessening, as the subsidy dependence of the national economy declines, of the actual burden on the regional budgets. It would be necessary to tighten the criteria of the distribution of federal financial assistance in order that it go only to the regions that are truly in need of it.

The optimum scenario, evidently, is a flexible combination of the different approaches depending on the changing economic and social situation, the pace of institutional transformations, the particular features of the branches being taken off budget subsidy, the dynamics of the interregional differences in budget sufficiency, and so forth. Its elaboration and justification should constitute a special block of the federal financial stabilization program.

The mechanism of interbudget relations that has taken shape as of this time is inadequately adapted for the accomplishment of the tasks ensuing from the financial stabilization program. Clear-cut principles and methods of an evaluation of the need for financial resources of organs of power and administration of various levels are lacking. The transfer payments of the fund for financial support of the components of the Federation lack a specific focus, and their allocation is not made dependent on the observance of if only minimum efficient-use requirements. Federal assistance is scattered around the territory of the country: In 1995 some 78 regions acquired the status of those "in need" or those "in particular need" of support. The procedures of the distribution and supervision of the targeted use of the resources allocated the regions for the funding of federal programs remain unregulated. The lack of effective economic mechanisms of influence on the financial policy pursued by the regional authorities has led to the burgeoning of regional tax writing, the growth of irrational spending, and the sheltering of their own income in various off-budget funds and commercial structures.

It is essential in the 1996 fiscal year even to switch to a new stage of the reform of the relations between levels of the budget system. Its principal components are the introduction in the fiscal process of a medium-term program of the adjustment of the separation of revenue and expenditure between levels of the budget system with regard to the demands of the stabilization program, the extension of normative-computation methods of regulation to the bulk of the financial interbudget flows (to clearing payments between budgets included), a tightening of the criteria of the allocation of financial support to the regions, the use as its principal form of targeted subventions, and consideration of the tax and fiscal policy pursued by the regional authorities when federal assistance is being distributed. It will be necessary to show the public and the regional authorities with facts and figures when these measures are being prepared that the territories will actually derive benefits from a reduction in economically and socially unjustified grants and that the best way to use these benefits in general interests is the transfer of part of them to the federal treasury.

A reduction in budgetary expenditures, at whatever level it occurs, is a highly painful process. The brunt of it has thus far fallen on the federal government, which has been a reason for the failures of the previous attempts at financial stabilization.

Without the components of the Federation being plugged into the program of a reduction in the budget deficit and the corresponding reorganization of interbudget relations, no in any way steady financial stabilization is attainable.

*Tax Police Target Export Firms for Tax Evasion

954E1120A Moscow ROSSIYSKAYA GAZETA in Russian 16 Jun 95 p 14

[Article by Maksim Zarezin: "The Race for Hard Currency Leaders"]

[FBIS Translated Text] **The tax police are planning to intensify their work among companies engaged in foreign economic activity.**

Firms operating in the area of foreign economic activity (today there are more than 50,000 of them in the capital) occupy first place in the championship for concealing taxes. Last year, inspections of 47 firms specializing in foreign economic activity were conducted in the capital—Boris Dobrushkin, chief of the Moscow administration in the RF tax police department, reported during a meeting with representatives from business circles and Russia's Chamber of Industrial Commerce which had been organized—approximately one-tenth of all inspections provided more than half of the extra charges in the budget. In this regard, the tax police emerged as an agent for hard currency control in 23 cases. Boris Dobrushkin promised that the number of inspections would increase in this sector of business because the scope of foreign economic operations is growing.

Foreign firms or joint enterprises which consciously ignore Russian laws frequently attract the attention of the tax police. Thus, on the order of 105-108 entities engaged in the registration of Russian companies in foreign off-shore zones are operating in Moscow at the present time. An inspection of the financial and economic activity of one Liechtenstein firm revealed that this company engages in converting the ruble into ready cash under fictitious hard currency contracts and more than 30 domestic enterprise entities are already involved in this activity. It turns out that foreign firms establish a Russian legal entity and think by doing this that tax benefits which are provided for foreign investments are extended to that enterprise. Thus, one consulting company established by five German organizations decided that it had a right to save more than 100 billion rubles in taxes for this reason.

Another group of tax police clients is the large organizations that are the successors of Soviet foreign trade associations. Personnel in the bookkeeping and legal services are being used poorly; the workers do not have time to react to changes in the law and make mistakes that sometimes turn into multibillion penalties. The tax police know approximately a dozen "mastodons" who are operating according to old planning calculations. That is why it is known in advance what miscalculations can certainly be found there.

So-called one-day firms, which are established for one or two deals and then disappear, are causing the tax police quite a bit of trouble; when doing this, they naturally do not pay taxes, and assets are pumped over into other entities. It also happens that the partners arrange to make settlements through a third firm. In Boris Dobrushkin's words, the tax police have begun to counteract such tricks.

However, on the other hand, there is no legislative base to combat smart criminal business operators (these persons are well known to competent agencies) using the taxing of individuals as a punitive sword. Neither our outlays nor property are being declared and even in the tax police itself they have not managed to introduce the declaring of income—the lawyers in the administration have vetoed a decision that was prepared as contradicting the law.

Nevertheless, having acquired experience, the tax police have worked out a technology for their actions over the past three years. Violators should not labor under the delusion that the inspector will drown in an immense sea of documents—the service's employees know both the favorite styles and moves and also the vulnerable points of those who intend to get around the law. Moreover, the police appear in a firm only after the receipt and study of operational information, and, if the inspection does not reveal concealment of taxes, they consider such an ending as defective output. It is also possible that one can come into the field of view of the tax police after a message from the tax inspectorate which has not received a quarterly or annual report from a legal entity.

The tax police consider that their department is least of all similar to a blind and repressive mechanism. For example, here they are prepared to discuss the deferment of penalty sanction payments—up to six months—and to agree on a payment schedule. If preconditions arise for different treatment in this or that episode, the police will defend the "customer's" point of view, considering the vagueness of much of the wording in legislation.

Nonstandard situations also occur. Thus, the mistake of a bookkeeper in one joint-stock company that was engaged in buying, selling, and investing vouchers led to profit being calculated based on the face value of the privatization checks. If one were to stand strictly on the letter of the law, the entrepreneurs were obliged to pay several "extra" billions into the budget. The tax police determined the real profit of the joint-stock company and the corresponding tax amount using a method that considered the exchange price of the vouchers.

Everything is being done to prevent the possibility of leaks of information leaks pertaining to commercial secrets. The information about those inspected is only sent to official inquiries by law enforcement agencies. The employees themselves can receive this information only with the director's written permission; the initiator of the request remains in computer memory. Meanwhile extremely alluring proposals—to share information from commercial "intelligence services" regarding the turnover and profit of this or that firm—arise constantly.

There are quite a few other temptations. That is why the tax police have special subunits called upon to detect corrupted ones among the employees and Boris Dobrushkin reported that he would be grateful to entrepreneurs for any information concerning the negative activity of his subordinates. The tax police do not intend to conceal their problems and are ready to discuss controversial questions and to give advance notice of misunderstandings; however, they also expect understanding on the part of business circles.

*Unemployment on Rise

95P50142A Moscow TORGOVAYA GAZETA in Russian 21 Jun 95 p 1

[Unattributed article: "The Number of Unemployed is Rising"]

[FBIS Translated Text] In May 1995 the number of officially registered unemployed persons in the Russian Federation reached 2.04 million (in April there were 1,986,000). BIZNES-TASS in the Center for Economic Competition under the RF government reported this.

The proportion of unemployed was 2.4 percent of the number of working-age persons, up 1.7 fold from May of last year [1994]. According to the Center's calculations, in May of this year the highest levels of unemployment as before were observed in Ivanovo, Yaroslavl, Pskov, Kostroma, and Vladimir oblasts—from 6 to 9.5 percent.

The lowest level of unemployment in the country remains in Moscow—less than 0.5 percent. According to the Center's projection, in June of this year the number of persons registered as unemployed can increase by 3 percent and reach 2.1 million persons. The level of unemployment will be 2.5 percent in this case.

*Economic Crime Situation Reported

954E1121A Moscow KOMMERSANT in Russian 13 Jun 95 No 22, pp 16-24

[Article by Nikita Kirichenko, Aleksandr Privalov, Valeriy Chetokin, and Georgiy Shvyrkov: "Those Who Prevail Are Never Judged"]

[FBIS Translated Text] **The latest data the KOMMERSANT editors received from the GUEP [Main Economic Crime Administration] of the Russian Federation MVD [Ministry of Internal Affairs] on crime in Russia are an indication of the criminal sector's actual role in economics and politics.**

An analysis of the data revealed the migration of economic crime to all parts of Russia.

KOMMERSANT experts rated the different Russian regions in terms of the economic safety of businesses, with consideration for overall economic conditions and the criminal atmosphere.

"It is always easier to steal than to work. Marx said that when everyone works conscientiously, the worker receives 'V' and the capitalist receives 'M,' but when one of them steals, he immediately receives 'C+V+M'"—from private remarks by Professor Mayer.

Crimes of an economic nature include crimes against property and the crimes of economic administrators and officials. This category includes a whole range of crimes such as embezzlement, fraud, the counterfeiting of money and securities, illegal operations with foreign currency and precious metals and stones, the illegal export of strategic resources and materials, the forgery of documents, the conclusion of fictitious contracts and agreements, the concealment of taxable income, unlicensed trade, the sale of inferior goods, operations with fraudulent bank guarantees, criminal privatization, false bankruptcy, the creation of fictitious firms, and so forth.

The Criminal Economy as a National Economic Sector

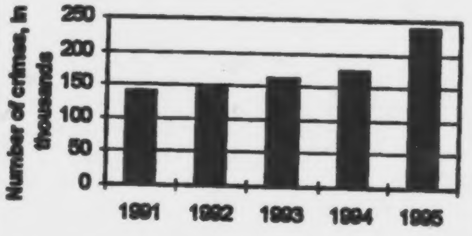
We will begin with some elementary statistical calculations of the dynamics and structure of crime to gain an understanding—even if only a superficial one—of the actual state of crime in Russia.

Around 40 percent of the 3 million legal infractions (including administrative offenses) reported within the territory of Russia last year were committed in the economic sphere. In the case of actual crimes, the percentage of those committed in the economic sphere is even higher—72.2 percent. (The data cited here and later do not include crimes committed within the territory of Chechnya and Ingushetia, because the GUEP of the RF MVD has no current data on these regions.)

The curve of reported economic crimes is constantly rising (in spite of the fact that many economic offenses are kept secret). More than 80,000 crimes were reported in just the first four months of 1995—33 percent more than during the same period last year. If this tendency continues, the number of economic crimes in Russia will reach 240,000 by the end of 1995 (Figure 1). This forecast of ours is naturally higher than the official MVD projection, because the MVD analysts are "officially" forbidden to publish forecasts predicting the almost exponential growth of crime. In view of the fact that there are many more surreptitious violations in this sphere than in any other, we can assume that **crime in the Russian Federation has already become primarily economic.**

Now we can attempt to judge **how criminal the economy itself has become.** This requires more complex calculations. An estimate of the amount of criminal income criminals earned last year will be the key element in these calculations. The calculations will not include income from noneconomic crimes—the drug trade, prostitution, the arms trade, etc. The MVD experts are unlikely to agree with our calculations (at least on the official level), even though they are based on their own data and preliminary estimates. We cannot cite all of the data here, but the losses (of victims) from just the reported economic crimes essentially can be determined by multiplying the number of reported economic crimes by the average loss per crime, converted into foreign currency. The figure does not include the losses from "crimes of the century"—false letters of advice, pyramid schemes, etc., exceeding a billion dollars (these will be discussed in greater detail later): They may be viewed as a statistical aberration.

Figure 1. Economic Crime Dynamics in Russia (1995 figure is estimated)



It is significant that our calculations do not coincide with the official ones, because the average loss in MVD statistics is recorded on the date the charge is filed, and not on the date the crime was committed, and because the exchange rate of the dollar is rising, the average loss in dollars is usually underestimated. We used the exchange rate instead of the level of purchasing power, because most of the losses are in the credit and finance sphere instead of the sphere of physical production.

Our estimate of the reported losses last year amounted to $4 billion.

Then we had to estimate total losses, including those resulting from covert infractions of the law. According to the estimates of MVD experts, today only one out of every five "ordinary" economic crimes is reported. Consequently, the total losses from "ordinary" economic crimes could be estimated at $20 billion. If we then add the losses from the "crimes of the century" committed in 1994 (we will cite the initial data on them in rubles later), we arrive at a total of *$30 billion.*

Foreign experts estimate the Russian GDP in 1994 at around $600 billion (using the appropriate exchange rate for this case), and we can therefore conclude that *criminal income last year was equivalent to around 5 percent of GDP.*

According to our estimates, the figure was just over 1 percent in 1993, when the GDP was greater, the losses from "ordinary" crimes were only one-third as high, there were fewer unreported crimes, and the "pyramids" were not being built yet.

In other words, there is every reason to say that in 1994 economic crime had already surpassed such branches of the national economy as light industry, construction materials production, the timber, woodworking, and pulp and paper industry, the chemical and petrochemical industry, and ferrous metallurgy in terms of its size in relation to the Russian GDP, because the production volume of each of those branches was equivalent to less than 5 percent of GDP last year.

Russian economic crime appears to be an impressive branch of the national economy even "by world standards." Few sectors of our economy have a per capita product twice as great as the world average, but our calculations indicate that Russian criminal income in the economic sphere amounted to around $200 per capita last year, whereas the average for the "globe" was no more than $100.

Besides this, the criminal economy also became one of the main channels for the redistribution of GDP in 1994. For the sake of illustration, we should consider that 7.3 percent of GDP was redistributed through the federal budget in 1994, and the credit investments (long- and short-term) of all Russian commercial banks in the economy were equivalent to around 10 percent of GDP at the end of the year.

There is also another aspect of the problem: The criminal economy has become an extremely strong inflationary factor. The use of forged bank documents resulted in the circulation of around 3-4 trillion rubles [R] in the last few years, and a high percentage of this money was converted into foreign currency and transferred to foreign banks. Last year, for example, forged letters of advice were used in 750 cases of embezzlement, with losses totaling around R1 trillion. (Total criminal income from crimes with letters of advice in 1992-1994 can be estimated at around $12 billion at the current exchange rate.)

Obviously, the sphere of monetary circulation suffered the heaviest blows in 1992, when *criminal emission accounted for around R2 trillion of the R5.2 trillion added to the total amount of money in circulation.*

Because that year was a turning point for the economy, criminal emission in 1992 provided strong momentum for inflationary processes in subsequent years. Our estimates of the impact of criminal emission on inflation are presented in Table 1.

Table 1

Categories	1992	1993	1994	Totals
1992-1994				
Actual rise in prices (times)	26	9	3.1	730
Estimated rise in prices (times) in the absence of criminal emission	17	7.5	3	390

These figures speak for themselves. In this context, however, we will return to the previously mentioned redistributing aspect of the activity of the criminal economy. The government used the dynamics of inflation and the rate of exchange as points of reference, and when it saw that they had been driven up excessively by criminal emission, it pursued a policy of excessive austerity by economizing on the expenditures under its control—social benefits and state investments. The money circulated as a result of criminal emission played virtually no part at all in the revitalization of production, because most of it was converted and transferred abroad.

This might be the right place for a slight digression. The examination of crime from the economic vantage point provides a slightly different view (in any case, it provided the KOMMERSANT experts with this different view) of the position of many politicians and representatives of the news media who express their opinions in emotional phrases like "the power of evil," "the criminal revolution," "the vicious war the mafia has started," etc.

In view of the fact that many esteemed politicians and journalists of the past were correct, in our opinion, in their assumption that power, revolution, and war are primarily economic issues, the problem of crime looks all the more serious from the economic vantage point. Suffice it to say that the amounts of criminal income are comparable to the state's expenditures on the maintenance of the Russian Army and other military and law enforcement structures. Even in terms of the going rate for the elimination of "outlaws" and crime lords by hired killers ($50,000), the annual income of criminal structures is large enough so that they can afford 600,000 murders. It is too late for sheer emotion, even if it is "invariably accompanied by exposures" and by isolated facts from "files and briefcases."

This applies to the quantitative portion of our estimates and calculations.

Table 2. Percentage of Crimes Committed by Organized Criminal Gangs in Structure of General and Economic Crimes

Years	All types of crimes	Economic crimes
1991	21.0	28.2
1992	22.8	29.1
1993	24.9	32.4
1994	27.9	36.4

The data of the GUEP of the RF MVD for last year and the beginning of 1995, however, also attest to qualitative changes in the criminal sector of the economy, providing what we regard as unequivocal evidence that the *economic structure in Russia is moving steadily toward the mafia-clan type of structure.*

Crime in the Transition Period

Our data indicate that although the overall rate of economic crime rose less than 10 percent in 1994, the number of grave economic crimes—i.e., those involving large amounts (over $10,000)—is increasing by leaps and bounds. The number of such crimes reported in 1994 was almost twice as high as in the previous year, and these crimes now represent just over a third of all economic crimes. The tendency toward an increase in the number of grave economic crimes continued in 1995: The number reported in the first four months of 1995 was 30 percent higher than during the same period last year.

Obviously, crimes of this kind are rarely committed by "lone criminals."

This means that **crimes in the economic sphere are mainly crimes that are well-organized during all stages of their commission.** This includes the stage of the repatriation of illegal gains. We can cite a few figures from the statistics of special services to confirm that **Russian economic crime has been increasingly reliant on international criminal ties.**

First of all, the number of reported economic crimes connected with illegal transactions with foreign currency, promissory notes, and other payment documents is increasing at an extraordinary rate (and this type of crime, we repeat, is highly unlikely to be reported). The number reported last year was 9,300—60 percent more than in 1993. The number in the first four months of 1995 was already 5,600, or 46 percent more than during the same period last year. As Map 1 [Map 1, "Distribution of Illegal Foreign Exchange Operations in Russia," not reproduced] illustrates, these crimes are migrating quickly from "customs" and "financial" zones into regions of raw material extraction and the production of export goods. In other words, there is an evident attempt to criminalize the whole chain of the movement of commodities and capital.

This can also be illustrated by another observed tendency. The current data of the GUEP of the RF MVD indicate a rise in the theft of foreign currency from domestic banks with the use of fictitious transfer documents from abroad. The spurious transactions are organized along the lines of the "Chechen" letters of advice and fraudulent summary sheets, but with the use of Western banks in this case.

It is interesting that a type of economic crime as "primitive" and traditional as embezzlement has also been redirected into "export channels." Internal affairs agencies uncovered 7,800 economic crimes in industry in 1994, and 7,300 of these involved the embezzlement of strategic materials and resources (rare and rare-earth metals, uranium, weapons-grade steel, etc.), which are particularly appealing as exports and certainly were not embezzled for "internal use." In this case we are limited to data on the number of the crimes, because data on the structure and scales of the embezzlement of strategic materials are kept strictly confidential by the Russian special services.

Here is another example. In 1994 there were 270 crimes reported by facilities for the extraction and processing of precious metals and stones (an increase of 27 percent), and one out of every four was classified as grand larceny. There were 84 recorded violations of mineral extraction regulations and the rules governing the surrender of gold to the state. During routine undercover operations and investigations of crimes discovered in the foreign exchange sphere, 311.5 kilograms of gold, 6.3 kilograms of platinum, 1.5 tonnes of silver, and 225,600 carats of precious stones were confiscated and turned over to the state. These figures, which are being published in the press for the first time, speak for themselves, because the scales of only the *discovered* cases of embezzlement in this sphere are comparable to the yield of some mines (admittedly, small ones).

Last year's results provide, in our opinion, every reason to conclude that **criminal elements in the economy are making the transition to the qualitatively new stage of the direct merger of criminal structures with official agencies, reflected in the mass corruption of civil servants and the mafia's involvement in political processes within the country.**

The scales of the corruption of government officials are a definite indicator of the ties between state agencies and the crime world. Even official crime statistics attest to the corruption of much of the Russian civil service. Criminal proceedings were instituted against 2,700 civil servants in 1994, and almost half of them were charged with taking bribes (an increase of 33 percent since 1993). Around 1,600 of these cases involved the officials of state governing bodies—ministries, committees, and their local agencies; the rest involved the corrupt personnel of regulatory and law enforcement agencies and the customs service. According to the estimates of MVD experts, only one out of every 100 major crimes of this kind is included in official records.

The struggle for the reapportionment of property was one of the new spheres in which criminal structures were particularly active last year.

According to MVD data, internal affairs agencies discovered 1,749 crimes in the sphere of privatization in 1994. There are no legal penalties, including criminal penalties, for violations of the rules of privatization. The activities of organized criminal gangs and corrupt government officials and economic administrators resulted in numerous incidents of the understatement of the book value of facilities slated for privatization, collusion in the unlawful division of property and reduction of enterprises prices, deliberate violations of the procedures for organizing competitive bidding sessions and auctions, and the offer of facilities for sale or for lease with an option to buy, in spite of the fact that their privatization is prohibited by law. We can assume, therefore, that illegal property relations were established at around 15 percent (again with the addition of concealed crimes of this type) of the enterprises privatized in 1994.

Crimes Currently in Vogue

Over the past year the structure of economic crime in Russia has undergone significant changes: There has been a substantial increase in some types of crimes, such as fraud (almost double), illegal foreign exchange operations (50 percent), and the production and sale of counterfeit currency and securities (almost double), but there has been a slight decrease in the most primitive type of economic crime—embezzlement.

Figure 2: Structure of Economic Crime in Russia

Crimes	1993	1994
Production or sale of counterfeit currency or securities	6.4%	12%
Crimes by officials	13.9%	13.3%
Others	15.7%	7.1%
Illegal trade	4.1%	5.2%
Violations of currency regulations	5.3%	7.6%
Fraud	5.2%	11.7%
Larceny	15.6%	15%
Embezzlement by means of appropriation, waste, or malfeasance	33.8%	28.1%

The obvious leader in terms of the number of crimes committed and the material losses suffered by legal entities and physical persons is the finance and credit system: The number of economic crimes in this sphere increased tenfold in the last two years. The embezzlement of money with the aid of fraudulent payment documents and, most recently, forged bank guarantees has acquired massive proportions.

According to available data, forged credit documents were used in 885 thefts, resulting in direct material losses of over R500 billion. The illegal acquisition and unauthorized use of preferential credits, the unregulated transfer of capital into the shadow economy and foreign banks, the laundering of criminal money, and bribes connected with the extension of credit, the issuance of cash, the opening of settlement accounts, and the expedited handling of financial documents became rampant.

The overwhelming majority of crimes were committed directly in the banking network. This was accompanied by a rise in the number of crimes in other parts of the finance and credit system. The number of insurance crimes increased 1.5-fold, for example, and the number of pension-related crimes almost quadrupled.

According to experts from the GUEP, an increase in the number of fraudulent operations with promissory notes, credit cards, and foreign (traveler's) checks can be expected in the next year or two. Police experts predict the rapid growth of illegal (unregistered) issues of securities, theft by means of the infiltration of the telecommunications and computer networks of banks and other nontraditional methods, and cases of insurance fraud in the near future.

Unlicensed activity by various commercial structures, designed to attract the funds of physical persons and legal entities on the pretext of lucrative investments, the funding of various projects, and the offer of trust (fiduciary) and other such services, which frequently end in bankruptcy or the misappropriation of the funds, is being conducted on a grand scale. Law enforcement agencies have received more than 3 million complaints from citizens who have lost money to commercial structures. The reported losses exceed R20 trillion.

One out of every five crimes is committed by firms not registered with tax agencies or registered under fictitious documents. There have been reports of more than 1,600 partnerships and firms not registered with tax agencies and almost 400 registered under fraudulent documents. They have committed 1,500 crimes, including more than 600 acts of fraud. There have been 4,320 discovered incidents of illegal business in the sphere of trade, and 550 trade brokerage firms have been doing business illegally on the interregional level.

The crime rate has risen dramatically in trade and public catering and in the service sector. In 1994 almost 35,000 economic infractions under the jurisdiction of the criminal police were reported in this sphere. Fraudulent operations involving the conclusion of fictitious contracts for deliveries of consumer goods and cases of the unlawful appropriation and unauthorized use of funds received in advance payment have become much more common in this sphere. The losses resulting from these operations, according to just the data on selective incidents, have already reached the trillion-ruble mark.

[Figure 3, "Economic Crimes Discovered by Criminal Police in 1994 (in Different Economic Regions of Russia)," not reproduced]

The number of crimes connected with the production and sale of counterfeit money and securities has risen dramatically in the last two years. The absolute number of reported crimes in 1994 was double the 1993 figure and almost 50 times as high as the 1992 figure. The structure and dynamics of different spheres of counterfeiting underwent significant changes in 1995. The full-scale assault on crimes of this type by law enforcement agencies and by the Central Bank stopped the growth of the production and sale of counterfeit money. The discovery of counterfeit bills of relatively poor quality, produced according to the most primitive methods, resulted in 2,930 criminal trials for fraud. The combination of all of these measures prevented the circulation of around R10 billion in counterfeit domestic currency, foreign currency, and state securities. The authorities seized 105,000 counterfeit banknotes of the Bank of Russia, including almost 80,000 bills with a denomination of R50,000 and 21,000 bills with a denomination of R10,000 (for a total of R4.23 billion). In addition, they confiscated 4,300 counterfeit bills in U.S. dollars and counterfeit bills of German, Swedish, and other currencies (with a combined face value of $5 million).

The number of crimes connected with the forgery, production, and sale of fraudulent documents, stamps, seals, and blank forms is rising quickly. In 1994 internal affairs agencies discovered 42,900 such crimes (for the sake of comparison, the number was 29,200 in 1993 and 17,600 in 1992).

Geography of Business Security: Khalmg Tangch Is the Mother, and Sakhalin Is the Father

The leaders in Russia in terms of the absolute number of reported economic crimes are Moscow (10,572), Krasnodar Kray (6,950), St. Petersburg (6,158), Chelyabinsk Oblast (5,432), and Moscow Oblast (5,137)—see Map 2 [Map 2, "Economic Crimes Reported in Different Regions of Russia," not reproduced]. One out of every five reported crimes was committed in the Central Economic Region.

The number of grave crimes increased in all parts of Russia. The highest increases were in Tuva (sixfold) and in Altay Kray and Penza, Sakhalin, Perm, Tver, Omsk, and Kaliningrad Oblasts (threefold).

An analysis of the rates of increase in this indicator in different regions of Russia allowed the experts from KOMMERSANT to determine the prospects for the spread of grave economic crimes to new territories. This analysis is reflected in Map 3 [Map 3, "Distribution of Grave Economic Crimes in Russia," not reproduced]. The red areas are regions with the highest percentage of grave economic crimes in the overall structure of crime: These include Krasnoyarsk Kray, Irkutsk Oblast, Omsk Oblast, Sverdlovsk Oblast, Tatarstan, Nizhniy Novgorod Oblast, Moscow Oblast, Tver Oblast, St. Petersburg, Krasnodar Kray, Stavropol Kray, Rostov Oblast, and Voronezh Oblast. The green areas are the regions where the highest rise in this indicator was recorded last year, and where the rate of economic crime is not only approaching the rate in the leading regions, but is also likely to surpass this rate in the near future. In other words, these territories could be called economic crime migration zones. They include the Sakha Republic, Sakhalin Oblast, Altay, Altay Kray, Tyumen Oblast, the Komi Republic, Perm Oblast, Karelia, Smolensk Oblast, Bryansk Oblast, Orenburg Oblast, Penza Oblast, Kabardino-Balkaria, and Karachay-Cherkessia.

Fraud is a rapidly growing field of economic crime. The indisputable leaders in this field are St. Petersburg and Moscow, which are far ahead of all other territories (even Krasnodar Kray, which ranks highest for many types of economic crimes). The situation could change soon, however. Judging by the rate of increase in the number of economic crimes connected with fraud, the leaders could soon be such regions as Birobijan, Pskov Oblast, Tatarstan, and Perm Oblast, where the rate of increase is 4-4.5 times as high as the rate in the leading centers of fraud.

The territorial distribution of economic crimes in terms of the number of crimes per 100,000 inhabitants of each specific region is quite different from the distribution based only on absolute numbers.

The average for Russia as a whole was 109.4. The leaders in terms of this indicator are Kalmykia (265), Magadan Oblast (207), Tuva (194), Birobijan (181), Adygea (179), Altay (171), Sakha (Yakutia) (160), Novosibirsk Oblast (159), Sakhalin Oblast (155), Kamchatka Oblast (150), Kaliningrad Oblast (146), and Smolensk Oblast (142). The regions with the lowest indicators are Kemerovo Oblast (37), Udmurtia (63), Ryazan Oblast (67), Murmansk Oblast (68), and Tula and Samara Oblasts (69 each).

In itself, a knowledge of the scales and regional distribution of economic crime can only serve as a warning to honest businessmen and advise them to take careful measures to guard against the infiltration of associations of law-abiding entrepreneurs by confidence men and disreputable businessmen. In the interest of the development of healthy business, it is much more useful to detect the regions with the most favorable conditions for business from the purely economic standpoint and the criminal standpoint. This calls for a special comparative analysis, and this is what the KOMMERSANT experts did.

This kind of analysis requires standardized indicators for the comparison of different regions with consideration for levels of economic development and population size. To this end, the KOMMERSANT experts followed a special set of procedures in calculating the absolute indicators, for their subsequent conversion into comparable ratings. They used such methods as multiple averaging and pattern recognition.

The KOMMERSANT experts chose the following elements of the aggregate indicator of the economic potential of specific Russian territories: industrial output, the profit margin in all types of economic activity, sales of consumer goods, and the monetary income of the population. All of the absolute numbers were converted into per capita figures. The varying population size of different territories was taken into account in this manner.

During the second stage the multiple averaging method was used to calculate a standard indicator of the level of economic development. The indicators were standardized in terms of their relationship to the average and then integrated in a single parameter. The territories were then listed in order of the integral indicator.

The territories with the greatest economic potential were Tyumen Oblast, Moscow, Irkutsk Oblast, Krasnoyarsk Kray, and Vologda, Lipetsk, Kemerovo, and Murmansk Oblasts.... Tyumen's position on this list was largely a result of its leadership in profitability (a profit margin four times as high as the average) and industrial output (3.4 times the average); Moscow's position was the result of its higher profit margin (2.4 times the average) and commodity turnover (four times the average). The regions at the bottom of this list included Chukotka, Dagestan, Kalmykia, Tuva, Karachay-Cherkessia, Adygea, and Kabardino-Balkaria.

Economic safety factors were calculated with the aid of synthetic ratings based on such socioeconomic indicators as the average wage, the minimum subsistence level, the relationship of the average wage minus social payments to this level for the able-bodied population, the number of registered unemployed, the demand for manpower (job vacancies), overdue payments owed to enterprises and organizations of the Russian Federation, credit indebtedness, incurred debt, and the number of reported economic crimes. These indicators were not chosen at random. Each of them individually and all of them combined reflect the influence of criminal elements and economic safety factors.

An analysis of the earlier determination of the economic potential of different territories allowed the experts to categorize the regions in order of each of the chosen socioeconomic indicators; this was followed by the final integrated distribution of Russian territories. The data are presented in the table.

Hierarchical Ranking of RF Regions by Economic Safety of Business

Distribution of territories in terms of business atmosphere	Aggregate indicator	Rank
Moscow Oblast	189	1
Krasnodar Kray	211	2
Moscow	222	3
Voronezh Oblast	226	4
St. Petersburg	236	5
Altay	249	6
Belgorod Oblast	257	7
Smolensk Oblast	264	8
Kaluga Oblast	268	9
Ulyanovsk Oblast	274	10
Tula Oblast	276	11
Ryazan Oblast	284	12
Tatarstan	291	13
Rostov Oblast	292	14
Tver Oblast	294	15
Samara Oblast	301	16
Kemerovo Oblast	302	17
Altay Kray	308	18
Adygea	319	19
Vologda Oblast	319	20
Karachay-Cherkessia	320	21
Khakassia	321	22
Dagestan	322	23
Astrakhan Oblast	325	24
Bashkortostan	325	25
Volgograd Oblast	331	26
Kabardino-Balkaria	333	27
Stavropol Kray	337	28
Chita Oblast	337	29
Kursk Oblast	338	30
Novosibirsk Oblast	339	31
Nizhniy Novgorod Oblast	342	32
Orel Oblast	343	33
Maritime Kray	343	34
Lipetsk Oblast	345	35
Novgorod Oblast	347	36
North Ossetia	349	37

Distribution of territories in terms of business atmosphere	Aggregate indicator	Rank
Omsk Oblast	352	38
Krasnoyarsk Kray	354	39
Leningrad Oblast	354	40
Birobijan	358	41
Chelyabinsk Oblast	361	42
Tambov Oblast	372	43
Kostroma Oblast	375	44
Udmurtia	377	45
Mari El	378	46
Sverdlovsk Oblast	378	47
Irkutsk Oblast	381	48
Chuvashia	382	49
Bryansk Oblast	388	50
Kaliningrad Oblast	391	51
Tyumen Oblast	392	52
Khabarovsk Kray	392	53
Penza Oblast	393	54
Murmansk Oblast	395	55
Ivanovo Oblast	398	56
Karelia	398	57
Sakha	399	58
Orenburg Oblast	407	59
Tuva	410	60
Vladimir Oblast	411	61
Pskov Oblast	411	62
Amur Oblast	412	63
Perm Oblast	413	64
Buryatia	419	65
Tomsk Oblast	419	66
Komi	420	67
Mordvinia	422	68
Kirov Oblast	424	69
Kamchatka Oblast	427	70
Saratov Oblast	438	71
Arkhangelsk Oblast	443	72
Chukotka	443	73
Yaroslavl Oblast	443	74
Kurgan Oblast	458	75
Kalmykia (Khalmg-Tangch)	468	76
Magadan Oblast	475	77
Sakhalin Oblast	519	78

The resulting economic safety ratings of Russian territories differ significantly from our earlier attempt to list the territories in order of economic potential. With the exception of Moscow, which moved to third place but is still among the leaders, and Chukotka, which occupies one of the lowest spots even in this distribution, the order of the territories is fundamentally different.

Therefore, the Russian territories where conditions for business are quite favorable and relatively safe are Moscow Oblast, Krasnodar Kray, Moscow, Voronezh Oblast, St. Petersburg, Altay, and Belgorod, Smolensk, Kaluga, and Ulyanovsk Oblasts. In the opinion of the KOMMERSANT experts, these are the top 10. Sakhalin and Magadan oblasts, Kalmykia, and Kurgan and Yaroslavl Oblasts, on the other hand, are unfavorable regions for the development of business, primarily from the standpoint of safety, and are the five most dangerous territories for the organization of business.

Synopsis

Although the situation is quite serious, we are not ready to say that the criminal distortion of the system for the distribution of money and commodities and the concentration of crime in different regions have already jeopardized or will soon jeopardize the economic security and integrity of Russia. Nevertheless, we cannot say the opposite either.

It is obvious, however, that the state, which has not lost its instinctive desire to protect the economic system, is certain to restore order and reduce crime to acceptable limits. It is still too early to predict the details, but in principle there are only two solutions known to history: either an omnipotent central authority or liberal laws with genuine power. On the one hand, there were no crimes of great danger to the society under Stalin or Hitler; on the other, crime is no threat to the economic security of present-day Europe either.

History (including Russia's own experience) attests that totalitarian authority is the result of a struggle between different groups and the unconditional victory of one of them. If the data presented above are interpreted as proof that Russia's economic system is acquiring more and more distinct mafia-clan features, the use of the first solution to restore law and order would presuppose the establishment of a monopoly by the strongest clan.

Of course, we would like to hope that our country will choose the second path. In our opinion, only the revitalization of the production sector of the economy can strengthen that hope. This is not simply a trite observation: Theft is easier in the distribution sphere. The statistics presented above prove that industry is much less criminalized than the financial sector and trade. The restoration of the predominance of physical production in the economic system will lay an objective foundation for the submersion of the criminal sector of the economy to a point below the viability threshold of the national economy.

*Links Between Extractive, Military Industries Viewed

954Q0239A Moscow EKONOMIKA I ZHIZN in Russian Jun 95 No 24, p 1

[Article by Academician D. Lvov, deputy director of TsEMI RAN (Russian Academy of Sciences Central Economics and Mathematics Institute), V. Grebennikov, TsEMI department chief, and V. Dementyev, TsEMI laboratory chief, under the rubric "Viewpoint": "The Extractive Sectors and the Military-Industrial Complex in the Structural Perestroyka Strategy"]

[FBIS Translated Text] As world experience shows, a powerful stream of innovations requires not only market competition but also organizational activity by the state and major industrial corporations. No particular program of reforms and structural transformations in the economy can expect to be successful if it does not find a solid combination of competition and state regulation.

An obvious example of this is the history of the interrelations of such vast complexes as the extractive-raw material (ERM) and military-industrial complexes. It is common knowledge that in our country the lion's share of the sociopolitical energy of industrialization, the country's natural resource and ecological potential, and the efforts of the country's people went toward developing them. The military-industrial complex [MIC] was the leading party in the interaction of these two industrial monsters. It would be more precise to speak of interaction not as an exchange of resources but rather the subordination of one to the other. The MIC may have shared cheap labor and the might of the organs of foreign economic coercion to hard work with the ERM complex, but not its technology, much less its "wares" suitable only for narrow departmental use. There were, of course, exceptions: thus, the development of the oil resources of Western Siberia would have been impossible without the large-scale employment of helicopters built on the base of military models or even the use of combat vehicles for these purposes. In other words, the main part of the ERM complex's output, and the most significant part in terms of composition of resources for contemporary technologies, was directly or indirectly consumed for the MIC's activity; that is to say, it was included in the macroeconomic outline of weapons production.

But just what happened with the reproductive structure of the economy during the reform years? Let us dispense with excessive emotion regarding the present "demilitarization" of the Russian economy. Perhaps the most notable fact is that the MIC has now been put on fundamentally the same level as other sectors in terms of the hardships which have befallen the entire economy as a result of the failure of the former system of planned management. But at this point there have been no fundamental changes in the reproductive structure, and that includes price proportions and the correlations of contributions of the main factors in the production of gross national product. That is to say, in practice, instead of the more complicated task of reforming reproductive ties, the MIC has been expelled from them. The conditions under which the MIC must "fit within" the new economic reality are an illustration of this. The situation involving defense production facilities, however, would not be so critical and the government's burden of responsibility for aiding them would not be so broad in scope if real measures were being taken to eliminate the obstacle, specific to these very sectors, that is preventing the defense enterprises from joining the "civilian" market. This obstacle is the permanent, unprecedentedly high expenditures for the infrastructure base of production and accordingly for supporting the mobilization reserve of capacities. If these permanent expenditures are covered by special purpose budget subsidies, at least to the extent they surpass the ordinary "civilian level," even a sharp decline in reduction in arms purchases by the military department would leave defense enterprises enough room to realize production projects for highly profitable civilian output with relatively low investment. A considerable number of volunteers would be found in the private sector to finance these investments, taking into account the truly rich technological achievements of the MIC.

In any case, if we are speaking of demilitarization seriously, the MIC is strategically unable to claim its former leading role any longer, either in the economy as a whole or in the "global link" with the ERM complex. This does not mean that this link itself will lose its fundamental significance. On the contrary, there is no alternative to combining the potentials of these two powerful complexes, but on a new macroeconomic and, needless to say, institutional basis at least for the next decade or two—if we are speaking of the country's long-term interests, of course.

On the other hand, the idea exists (or better to say, drags out an existence) of broadly diversified conversion subordinate to the task of resource conservation in the whole economy on the base of the science-intensive technologies of the present MIC. At best this strategy will make it possible to expect the formation in domestic industry of several high technology links built into external economic contours. Without reinforcing the Russian economy's investment potential in advance, these links are unlikely to be able to ensure its technological renovation.

Of course, the natural course of events which we are witnessing is also an alternative, but it cannot be considered acceptable either. Russia's fuel-raw material sector is included in the system of world economic ties servicing the reproductive structures of the high technology economies of the post-industrial West: step by step the "civilized" export-import enclave of the Russian economy which is closed to ensure the pumping of natural resources to the outside is being formed. At the same time, the growing consumer expectations of those social groups (including some of the bureaucracy) whose incomes are directly or indirectly obtained through this overflow are being satisfied.

Only a strategy where building up Russia's own potential for production investments is the primary task can ensure balanced modernization of the domestic economy and its structural perestroyka. This will occur if the MIC's potential is fully utilized to increase the yield from the ERM complex.

We think the solution to the problem is a macroeconomic link between the MIC and the extractive sectors which, first, preserves an immediate, direct character (unlike the strategy of top priority resource-saving conversion in the processing sectors) and, second, signifies a complete reversal in the interaction of the leading party, which must then be the extractive-raw material complex. To put it simply, this complex must assume the role of the main customer for MIC output and services outside the defense order.

In the first stage of the strategy, the technological core of this interaction would not be resource conservation at production facilities requiring fuel and other mineral raw materials, but technical re-equipping of raw material sectors and the introduction of new technologies for extracting and primary processing of raw materials to ensure a higher level of economic use of deposits already incorporated and the required scope of geological survey work and incorporation of proven reserves in places where large-scale industrial exploitation is irrational or even altogether impossible without extraordinary technical concepts and reduced costs.

So we are speaking of revising the priorities of resource conservation rather than rejecting it as a strategic task. In the near future, the main emphasis in resource conservation is to be put on the resource extracting sectors themselves. This will help create a reliable financial foundation for the subsequent technological renovation of the entire domestic economy.

The financial basis of the "new" interaction of the MIC and the extractive complex could be income from raw material exports, a substantial part of which would be used to pay for orders of MIC enterprises, for direct investments in creating or expanding the corresponding capacities in this complex, and, in contrast, for the MIC to participate in the profits of the extractive enterprises through joint control over the property of these enterprises. Here the state would stimulate these processes in every possible way through a preferential taxation system for deliveries and income and other instruments of state regulation. Increasing the effectiveness of the ERM complex and realizing import replacement plans in it through partnership relations with the MIC will help resolve the task of converting other sectors of the economy to resource-saving technologies in the next stage of the strategy.

A precise ordering of priorities and converting them from declarations into real conditions of economic activity are important to ensure that the long-expected stabilization does not prove to be a chronic depression.

*Nuclear Power Stations' Status Highlighted

954E1140A Moscow TEPLOENERGETIKA in Russian May 95 No 5, pp 2-5

[Article by I.I. Novikov[2], member of the Russian Academy of Sciences; RAN corresponding member G.N. Kruzhilin; and Doctors of Technical Sciences Ye.P. Ananyev, A.G. Ageyev, and V.A. Yermishkin; RAN Metallurgy Institute—RAN Nuclear Safety Institute—Scientific-Research Institute on Nuclear Power Stations—ENIN: "The Present and Future of Nuclear Power Stations[1]"]

[FBIS Translated Text] The article presents the current state of nuclear power stations [AES's] in our country.

It presents an analysis of the basic equipment of reactor power generating units, some superiority compared to foreign analogues, and notes the important role of AES's in the national power generation sector.

There are nine nuclear power stations currently in operation on the territory of Russia, with 29 power generating units with a summary electricity-producing capacity of 21,242 MW. These AES power generator units utilize different types of reactors, including VVER [water-moderated power reactor]-440—in six power units; VVER-1000—in seven power units; RBMK [high-power pressurized-tube reactor]-1000—in 11 power units; EGP [power-generating graphite reactor]-6—in four power units; and BN [fast neutron reactor]-600—in one fast neutron power generating unit. The functioning of nuclear power stations in Russia is relatively safe and stable.

From foreign data, where technical-economic calculations are carried out with great precision, we know that in terms of economic efficiency, AES's are considerably superior to TES's [thermoelectric power stations], especially for areas situated at a great distance from coal mining areas.

There is every reason to use AES's in Russia on a maximum scale and to raise the total capacity of AES's at least to the level of approximately 100 GW, as currently in the United States. Especially considering that our need for AES's is immense, since the power needs of the entire European part of the country, the Urals, and the Far East now and in the future cannot be met by TES's operating on organic fuels. This is supported by one of the most recent publications on the subject by A.F. Dyakov[3].

Scrapping the previously adopted extensive program of AES construction in our country because of the Chernobyl disaster was, in our opinion, a mistake, albeit an involuntary one, driven by public opinion. This is evidenced quite graphically by the fact that in other countries attitude towards AES's practically has not changed since the Chernobyl disaster. Moreover, as reported in specialty science and technology magazines, Pakistan, Thailand, Turkey, Bangladesh, Indonesia, Argentina, and other countries are launching AES construction programs. In addition, lately there has been a perceptible change in the position of the "Greens," who in the past demanded the closing of AES's. At a conference of European ministers of ecology on 28-30 April 1993 in Lucerne (Switzerland), Austria, Ireland, Luxembourg, Norway, and Sweden, instead of a proposal to shut down AES's as soon as possible, put forward a proposal that in the future the use of nuclear energy should not be discontinued—and they were talking about the quite distant future at that. Because of the shortage of organic fuel and its sharply uneven distribution by country and region, it appears that it will be necessary to use nuclear fuel, whose supply, not counting plutonium produced in breeder reactors, exceeds the world summary reserves of organic fuel by a factor of three [4]. Keeping this in mind, the delay in AES construction that took place in our country is essentially meaningless. Especially considering that thanks to the outstanding creative achievements and fruitful activities of our domestic nuclear scientists, our country lead the way for many years in the use of nuclear power for large-scale power generation and sea transportation.

We can hardly justify counting on further expansion of the usage of natural gas at our TES's, especially considering that with the current annual production of gas at a level of 600 billion cubic meters (that is, 740 million standard tonnes), there is not enough of it even to supply consumers more important than the TES's—including agriculture, urban areas' municipal services, and foreign countries buying our gas. Increasing gas production, however, is not safe. Our underground gas main and distribution networks already measure tens of thousands kilometers and unfortunately do not have an infinite lifespan because of corrosion, especially in northern regions with marshy and high-moisture soils. Therefore, after a certain time serious damage to them is inevitable, and hence, replacement is needed. Underestimating the scale of work involved in their replacement, as well as providing for the supply of gas for consumers in these conditions, would be a great mistake. For illustration we might recall the tremendous difficulties in utilizing underground heat-distribution pipe systems from heat and power stations in our cities. In addition, with such a gigantic volume of annual gas production one cannot help but be concerned about the stability of extraction and gas reserves in the fields under development. The decline of oil production in our country by a factor of almost two over the past 15 years gives serious cause for concern.

Currently a substantial hampering factor in the matter of building AES's in our country is the rather widespread opinion that in terms of radiation safety our reactors are impermissibly worse than foreign ones and do not meet international standards. This opinion regarding the unreliability of domestic nuclear reactors is fueled by the egotistic interests of foreign competing nuclear machine-building corporations. Radiation danger from a nuclear reactor results from the fact that over time the reactor's operation produces huge amounts of radiation that accumulates in its fuel elements, covered with a hermetically sealed metal casing (mainly made of a zirconium alloy), the value of which (in curies) is determined by the quantity of nuclear fuel fission fragments, that is, the integral reactor capacity over the period of operation of the fuel elements' feed into the core. That is why all nuclear reactors represent an approximately equal nuclear danger, since during an accident, especially in the situation when fuel elements overheat because of a breakdown of their normal water-cooling circuit, fragment radiation accumulated in fuel elements may escape outside the reactor and even the AES. Equally, all reactors with hermetic containment (a protective cover), which prevents radiation escaping in emergency conditions outside the reactor room, are equally safe. As a result, to the best of our knowledge, there have never been any complaints on the part of foreign specialists regarding the radiation safety of our VVER-1000 reactors with protective covers. There have been, however, concerns with respect to VVER-440 and RBMK reactors, which do not have a protective cover.

To cover all the ground, it is necessary to note that lately protective covers have been considerably improved by providing an escape for some of the gas into the atmosphere in emergency conditions, when the pressure inside it exceeds the design limits. In the process, the "blow-off" is sent through a layer of filtering material (for instance, activated charcoal) in order to capture as many radioactive particles as possible from the gas discharge. In addition, at least in Germany it has been decided to fill the containment cover with nitrogen in order to avert an explosion of the volatile mixture because of the hydrogen formed in conditions of an accidental overheating of the core due to interaction between the fuel elements' zirconium casings and water steam under high temperatures[5]. This proposal was published earlier in our country[6].

Let us also note that the protective cover to a large extent takes on the same function that is envisaged for underground mines in the proposals on placing AES's underground. After the Chernobyl disaster such a proposal was put forward for the first time by Academician A.D. Sakharov. To the best of our knowledge, however, it still has not gained solid support, mainly because placing AES's in a subterranean mine would greatly complicate operating conditions, including work conditions for operators, and would at the same time result in increased capital costs for AES construction.

In addition to installing a protective cover, the reactor radiation safety system includes a number of measures intended to prevent the escape of radiation from fuel elements, that is, their overheating because of insufficient cooling of the core. In our VVER reactors this system as a whole is quite analogous to the safety systems of foreign PWR [pressured-water] reactors. This system also is very important from a purely economic standpoint, since in the event of the core overheating, any further utilization of the reactor and the generating unit as a whole apparently is impossible, as happened at the American Three Mile Island AES's and Chernobyl. Hence, the system requires the greatest attention during the design stage, as well as detailed knowledge of the substance of the matter during exploitation on the part of AES shift supervisors and operators. To improve this system with respect to new AES's, there is a proposal[5] to ensure natural circulation of primary-contour water through a steam generator, which would absorb residual heat generation after an emergency shutdown of the reactor because of loss of power supply to the circulation pumps.

Neither are our VVER's inferior to foreign PWR's in terms of exploitation reliability. In PWR's, the parts that proved especially prone to breakdown were the steam generators, which, unlike ours, which are horizontal, are vertical with a horizontal pipe board and a U-shaped bundle of thin heat-exchange pipes. Accidents at these steam generators begin after five to seven years of work, with the damage mainly to the pipes located immediately next to the pipe board and the pipe board itself because of corrosion developing under slurry, which is speeded up by the accumulation of slurry on the pipe board approximately 4 m in diameter, where, as it turned out, it is practically impossible to remove the slurry by blowing. These accidents began about 20 years ago and continue to this day. Fixing them requires a costly reactor shutdown in order to plug the damaged pipes. Steam generators also are being replaced: By the end of 1991, 45 steam generators at PWR's had been replaced. As an example, let us point out that replacing three steam generators of the PWR with a power capacity of 775 MW at Surry-2 took 295 days and cost $94 million.

Over the past few years, cracks have developed on PWR covers in France[7]. Following this, a decision was made to replace the covers of some reactors with new ones. Some covers with cracks that are not too deep were slated for repairs. Cracks have been discovered on more than 10 reactors more than five years old. The cause of the cracks is attributed to the use of inconel-600. New covers are made of inconel-690. In addition, in France cracks were detected in some steel branch pipes in PWR covers, which hold the working parts of the automatic control and protection system.

There have also been serious accidents at foreign boiling tank-type power reactors because of the emergence of transverse cracks in large-diameter pipes in the water circulation system. These were through cracks and were located near cross welding seams. In this case too, the emergence of the cracks was attributed to the material used—the aforementioned pipes were made of stainless steel 304 without a titanium additive.

There have been no such serious accidents at our reactors. First, because in the VVER-440 and VVER-1000, steam generators are mounted horizontally, which makes the slurry sediment settle in the lower part of the casing without affecting the pipe bundle. Second, because in our reactors we have used only a stainless steel with titanium additive, which is not prone to develop this kind of crack. And finally, there have never been any cracks in the covers of our VVER and VK-50 reactors, which are made from original extra-durable hydrocarbon steel with a manganese additive. At this point it is expedient to emphasize that the original cause of the Chernobyl AES accident was not the equipment, and not the reactor, but people—operators, and their lack of competence. Before the accident they violated instructions on numerous occasions[8] and disregarded the reactor's physics, trying for an extended period of time to sustain the reactor's capacity when its reactivity was going through a very dangerous period of iodine dip and sharply dropped spontaneously. At the same time, in operating the reactor they completely ignored the rule that is mandatory for the RBMK-1000 reactor: to maintain under any circumstances a margin of reactivity equivalent to the action of 30 regulating system rods in order to maintain the reactor's stability. The chief culprits to blame, of course, are the Ukrainian and USSR Ministries of Power Generation of the time, which did not pay the proper attention to operating personnel. As a result, after the Chernobyl disaster the personnel problem should be given utmost priority, first and foremost the problem of training operators and shift supervisors. And, of course, it can be solved in Russia just as well as in other countries[9].

Unlike at the Chernobyl AES, the initial cause of the accident at the U.S. Three Mile Island AES involved the overheating and meltdown of the core. What happened there was a spontaneous automatic shut-off of the flow of feeding water to the steam generators, as a result of which the pressure in the reactor's first contour sharply increased. The latter, in turn, causes a normal automatic opening of the safety valve with electromagnetic control of the compensator of the first contour's volume. However, after the pressure in the first contour dropped to normal, this valve, it turned out, did not close automatically, although according to its design and intent this was supposed to happen. Because of the numerous visual and audio signals that came on at the control panel, the operators could not detect this quickly enough, which resulted in a discharge of water from the first contour through this valve, and then the exposure of the core's upper part and its meltdown. As a result, the reactor was rendered nonrecoverable. Direct losses amounted to about $1 billion.

It should also be noted that the latest international expert commission, including from the IAEA [International Atomic Energy Agency], withdrew objections against the further exploitation of RBMK reactors—after certain improvements were incorporated, of course[10].

After the 1979 Three Mile Island and the 1986 Chernobyl disasters, the problem of improving nuclear reactors with the aim of increasing their safety and reliability became especially urgent. Therefore, considerable work has been conducted and is being conducted in this direction both in our country and abroad. At the same time, a number of publications have come out on ensuring the self-protection of water-moderated reactors, using their inherent physical property of a drop in core reactivity in the reactor divergent phase. Thanks to this peculiar trait, in emergency conditions this divergence can slow down or even stop. Thus, self-protection would result in the diminished role and importance of signals sent by the reactor's emergency protection system when the set capacity is exceeded (for instance, by 10 and 20 percent), or the allowable increase in the reactor's divergence speed. But a number of other signals of emergency protection would remain, including those registering changes in the reactor's main parameters, as well as the loss of power both to the entire reactor or any of its very important components (for instance, in the automation system). Because of this, such self-protection would reduce only insignificantly the role and responsibility of operators. In addition, possible operator errors in the part of maintaining and changing the reactor's capacity in its regular scheme are quite reliably blocked by the aforementioned automatic protection signals. At the same time, there are a number of warning visual and audio signals at the control panel that require on-the-spot operator decisions.

To realistically evaluate this idea, the Cambashen Engineering company in the United States developed a concept AES design with PWR[11]. It envisages a reactor design with the core cooling by a flow of naturally circulating water with heat removal from the down-leading pipe through the tubes of the built-in steam generator. As a result, the proportional heat load of the core's surface is several times lower than usual, and the reactor size is respectively greater. In this design, with a heat capacity of 900 MW and pressure of 15.0 MPa, the reactor's diameter measures 5.5 m and its height—24.7 m. Accordingly, the reactor's power rating is about 300 MW, which, of course, is not that much for a power generating reactor. Keeping all the above in mind, it is hardly expedient to use such reactors in large-scale power generation. Therefore, in our opinion, in the near future we should rely on classic-design VVER reactors, as is done in other countries.

Footnotes:

1. This article is published as part of a discussion (ed. note).

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*Shipyard Activity Highlighted

954E1081A St. Petersburg SUDOSTROYENIYE in Russian No 2-3, Feb-Mar 95 pp 51-54

[Articles prepared by A.N. Khaustov: "At the Shipyards"]

[FBIS Translated Text]

TsNII imeni Academician A.N. Krylov

The Nizhegorod branch of the TsNII [Central Scientific Research Institute] imeni Academician A.N. Krylov has developed a design for a multi-purpose ram-wing craft, Sigma-6, intended for year-round daylight operation on main river routes, as well as on river and reservoir routes. With a length of 13.2 m, a wing-span of 9.8 m and clearance height of 3.2 m, the take-off weight of the ram-wing craft reaches 2,250 kg, with a payload of 550 kg. Two engines are provided — start-up (M-18) and cruising (M-14P). They ensure a cruising speed of 175-195 km/hr, with the flight altitude above a water or ice surface of 0.5-1 m and a range of up to 1,400 km; the fuel reserve is 250 kg. The ram-wing Sigma-6 may be used to transport six passengers and small consignments of cargo, and also for business trips, as a high-speed means of transport for special purposes.

Severnoye Machine-Building Enterprise Production Association

This is the eleventh year of operation, at the SMP Production Association, for the scientific-technical center (NTTs), whose purpose is to accelerate the introduction of scientific-technical studies into the practice of shipbuilding. The direction of the scientific-research and experimental design work is mainly determined by the tasks facing the enterprise. Among the most recent studies introduced are technological complexes for vibration-processing items, ultrasonic devices to clean parts, laser technology for strengthening die equipment and for cutting and marking parts. In addition to shipbuilding and ship machine-building, the NTTs specialists are working in the field of computer technology, and are solving urgent ecological problems.

* * *

In the middle of last year, the association held a conference devoted to problems of industrial production of new materials made of basalt and their application in shipbuilding. Representatives of planning and scientific-research organizations and enterprises of Moscow, Severodvinsk and Arkhangelsk took part in its work. The conference discussed the possibility of developing, on the basis of the basalt deposits of Arkhangelsk Oblast and Karelia, the production of fine, superfine, ultrafine and microfine basalt fibers and the industrial manufacture from them of threads, fabric and heat-insulating mats, fillers, etc. The task was set of joining the efforts of a number of enterprises in obtaining the necessary quantity of new, ecologically pure, noncombustible, heat-insulating, composition and structural materials. In accordance with the results of the conference work, a special document was adopted, determining the form of participation of the enterprises in the entire technological chain of creating the new materials.

Zelenodolsk Planning and Design Bureau

This planning-design bureau has drawn up a working design for a tanker of the Itil type, for mixed (river/

sea) sailing (Design 15230). The ship was designed for Russian Maritime Shipping Register KM [star] L3 [1] NSPA1 (oil-tanker) and intended for transport of petroleum and petroleum products without flash point restrictions, and can at the same time transport two sorts of cargo. Provision is made for placing 56 international-weight 20-tonne containers on the deck on a ballast run.

Basic Elements and Specifications

Length overall, m	123.7
Breadth, m	15.8
Height from OP to fixed parts of superstructure, m	16.8
Draft along load line (river/sea), m	3.6/4.13
Cargo capacity, t	3500/4400
Deadweight, t	3757/4870
Displacement, t	5890/7000
Cargo capacity of tanks, m^3	about 4480
Engine power, kW	2X1150
Design speed, knots	about 11
Cruising range, miles	2700
Cruising capacity, days	20
Crew, persons	12

The ship has double sides and bottom. The tanks are equipped with cargo heating systems (to 55°C) and closed-cycle hot-water washers. Two electric cargo pumps ensure a feed of 720 m^3/hr at a pressure of 1.25 MPa when unloading. The generating stations have a power of 650 kW. The installation of a completely automated functional process control system, Poseydon, has been specified.

The tanker was designed on the order of the Tatarstan government. The intention is to build a series of ships of this type at the Zelenodolsk Shipyard imeni A.M. Gorkiy.

Azov Shipyard

The yard's production program includes building small freezer fishing trawlers (design 13308 of the Leninskaya Forge Shop/Shkhuna Central Design Bureau). The ships are designed to catch tropical shrimp with beam trawls, and fish with a pelagic trawl by the stern-trawling system, to freeze the catch in horizontal-plate equipment (2.5 t/day) and an air-freezer unit (large catch, 1 t/day), and deliver the catch to the port in a freezer hold.

Basic Elements and Specifications

Length, m	
overall	26.5
between perpendiculars	22.4
Breadth, m	6.5
Board depth, m	3.05
Draft along load line, m	2.5
Displacement (*t = 2.5 m*), t	210
Speed (280 kW), knots	9.5
Crew, persons	6 (+2)

The trawler's power unit includes: main engine — a MAN D2840LE 325 kW diesel with 1,800 rpm and a CPG-32-type reducing gear and variable pitch screw; a 108 kW shaft-driven generator; a 50 kW diesel generator.

The commercial layout includes warp winches (2 X 15 kN), draft winches (2 X 16 kN), and a net drum (2.2 m^3). The industrial refrigeration unit — an MAKB35-type compressor-condenser assembly —operates on Khladon 22 and ensures a temperature to -28°C in the freezer hold.

Zvezdochka Scientific Production Association

One of the enterprise's spheres of activity is the construction of floating steel piers. The floating marine piers of the Priboy type, which the Zvezdochka Scientific Production Association has been supplying to various regions of the country for a number of years, have had good reviews. A pier of this type, which consists of three steel pontoons and a bridge, is intended for mooring ships with a displacement of up to 5,000 t, as well as for their on-shore supply of fuel, oil, water, steam, high-pressure air (40 MPa), gas (20 MPa) and electric power; cargo work can be done with the aid of wheeled or caterpillar cranes weighing up to 80 t and having a hoisting capacity of up to 25 t.

Basic Specifications of the Pier

Length of pontoons, m	3 X 36.7
Breadth, m	8.6
Board depth, m	2.2
Draft, empty, m	0.6-0.9

Displacement of pontoon, t	180-204
Width of roadway, m	6.4
Length of bridge, m	17
Width of bridge roadway, m	4.8

The body lines of each pontoon are rectangular, with stern overhangs at the extremities; their strength and stability permit sea towing. The mooring is fitted out with anchors, mooring and towing devices, as well as with masts for spotlights and lamp fittings. The pontoons are connected to each other and to the bridge with hinges.

Sosnovskiy Shipyard AO [Joint-Stock Company]

The manufacture of rescue sloops is one of the basic directions in the yard's production activity.

The self-recovering rescue sloop, design 00022, is intended for sea-going ships (except for tankers) and is estimated for 26 persons. The sloop is enclosed, and people are loaded into it through watertight hatches.

The enclosed tanker rescue sloop, design 00305, has a fire-protective coating and is equipped with a fire sprinkler system; it is capable of withstanding a temperature of 1200°C for 10 minutes, which, according to the existing time norms, should be sufficient to exit the zone of burning petroleum products. Its speed with full displacement is at least 6 knots. The sloop accommodates 42 people.

Both sloops are equipped with 4ChSP8.5/11-5 Kaskiy-30 diesels with 25 kW power at 1900 rpm, storage batteries and radio stations.

Basic Elements and Specifications

	Design 00022	Design 00305
Length, m	6.5	8.5
Breadth, m	2.4	3.0
Height, m	2.68	2.94
Displacement, t	4.85	7.65
Capacity, persons	26	42

The yard is presently developing sloops of a new type.

Krylo NPP ES

The Krylo Scientific-Production Enterprise of Experimental Shipbuilding (Chkalovsk, Nizhegorod Oblast) is the developer and builder of the Lastochka, a multipurpose amphibious surface-effect craft. The surface-effect craft is designed to transport cargo and passengers, mainly along rivers, although it can also provide reliable transport over snowy, loose and solid soil surfaces. The overall length, breadth and height of the surface-effect vehicle are, respectively, 9.2 X 4.2 X 2.9 m, the height of the flexible skirt is 0.5 m, the total displacement is 2.9 t and the cargo capacity is 800 kg. The power units are piston gasoline engines (2 X 103 kW), which ensure a speed, when moving along water, of up to 60, and along snow — of up to 80 km/hr; the designed range is 400 km. The ship's hull is made of fiber-glass-reinforced plastic. The surface-effect vehicle Lastochka can be operated as a tourist or pleasure craft, and can also be used for business trips.

Yantar Baltic Shipyard AO

Kaliningrad shipbuilders built the hulls of two pilot boats on order from the German Fr. Fassmer Shipyard. Approximately 95 percent of the materials were supplied by the purchaser. Three teams, made up of highly skilled workers, worked in the shop 60 hours each a week, instead of the set 40 hours, in order to fit into the rigid deadlines established by the contract. At the same time, the adherence to technology and the ensurance of high quality were considered to be of paramount importance. As a result, they successfully passed the test of the possibility of working by European standards.

* * *

The large anti-submarine ship, Admiral Chabanenko, was ceremoniously launched on 15 June 1994. To all appearances, this is one of the last warships built at the Yantar yard. As L.Ya. Zmachinekiy, plant director, noted in his speech at the meeting, the plant does not foresee in its future the building of these modern high-speed, powerful naval ships, which incorporated the advanced ideas of design and technical thought.

Almaz Shipbuilding Yard AO

The Almaz shipbuilders are well known as the creators of the largest naval surface-effect landing craft in the world, of the Zubr type, with a displacement of about 550 t. The latest of the KVN series was launched in the summer of last year. With a length of 57.3 m and a breadth of 25.6 m, it is capable of gaining a maximum speed of up to 63 knots. Civilian modifications of the Zubr have also been developed, including those with diesel engines, which provide more economical operation of the ship than the original design with gas turbines as the power unit. The production program of the enterprise also includes naval ships for shore patrol, sea and river passenger twin-hull boats, environmental conservation ships and sea-going cruising yachts.

The process of privatizing the firm is in its concluding phase. By the middle of last year, only 10 percent of the shares remained as state property. The Moscow firm, Bioprotsess AO, holds the controlling bundle of shares (59 percent).

Avangard Shipyard AO

Unusual ships — the sail-motor yacht-frigates Svyatoy Dukh and Kuryer (styled after ships of the 17th-18th centuries) were built at the yard in 1992-1993. Their keels were laid in January 1992: the Svyatoy Dukh was turned over to the purchaser, the Russian firm Kareliya-TAMP, in August of the same year, and the Kuryer, after the design was updated, was completed later and was turned over to a Russian-German joint venture in September 1993. The ships have a length of 21 m, a breadth of 5.2 m and a board height of 3 m, with a displacement of 60 t. In addition to the rigging, 200 m^2 in area, they are fitted out with a 66 kW auxiliary engine; the ships have a speed of 6 knots. The yachts can be operated in coastal areas, not over 50 miles from a port-shelter, with a wind force of up to 6 points and waves up to 4 points. There is an 8-9 person crew, and the fuel and fresh water reserves are 3 t each.

The Svyatoy Dukh yacht-frigate is designed for 11 passengers, and the Kuryer — for 6. In addition to cabins for 2-4 people, the ships are provided with a passenger lounge, a galley-snack bar, crew quarters with a fire-place, sauna, showers, etc.

Krasnoye Sormovo Yard AO

Among the ships turned over to purchasers last year were the dry-cargo ships Aleksey Kortunov and Arnold Ikkopen, of the Volga type. The first one was built for the Kubangazprom AO and the second — for the Severostal AO (former Cherepovetsk Metallurgical Combine). To settle the bill for the diesel ship, the metallurgists are supplying the Sormovo workers with rolled steel, which will be used in building the next transport ships.

Meanwhile, by the summer of 1994, the situation with two uncompleted diesel submarines (PL) of the Varshavyanka type (design 877 EKM) had been cleared up. After difficult negotiations, an intergovernment agreement was signed for their supply to the People's Republic of China during 1994-1995. This contract made it possible for the yard to legalize loans at preferred interest rates and continue to finish building the PL. By so doing, after two months of a four-day work week, beginning on 1 August, the yard again began to operate five days a week.

The single-shaft torpedo PL of the Varshavyanka type, designed at the Rubin TsKB MT, has the following specifications: length, 72.6 m, breadth of the hull 9.9 m, displacement, surface (with a draft of 6.2 m) about 2,300 m^3, fully underwater — 3,036 m^3, power of the main electric propulsion engine — 4,050 kW, surface/underwater speed up to 10/17 knots, cruising range underwater (at 3 knots) about 400 miles, under backpressure operation of engines (at 8 knots) — about 6,000 miles, submersion depth 250 m, cruising capacity — 45 days and crew — 52 persons.

Zvezda Far Eastern Yard

Because of the ban on dumping liquid radioactive wastes (ZhRO) in the sea, the recycling problem has recently become critical. At enterprises whose production activity forms ZhRO, a large amount of these substances has accumulated. Because of this, the need has arisen to create a special floating unit to decontaminate them. The government of Japan offered to give financial and technical assistance in building it. Several delegations of Japanese specialists visited the Zvezda yard during 1994, in order to solve specific problems of constructing the floating unit.

In the opinion of the Japanese experts, building the floating unit does not present any great technical difficulties. The main thing is its "filling" — filters with special fillers, which ensure the purification of the contaminated water. Japan has a wealth of experience in this respect. Units to process ZhRO are located alongside Japanese nuclear power stations, and the decontaminated water is drained directly into the water areas of bays located in the vicinity of the stations.

Baltiya GSP

On the basis of the design for an RDOS of the Moryana type, the yard is building reefer ships, design 12913TR (TsKB Vostok), which are designed to transport frozen products at a temperature of -28°C, and vegetables and fruits at temperatures from +2°C to +15°C. The architectural-structural type of the ship is sea-going, steel, single-screw, with the engine room located at the stern; class — KM [star] L3 [1] A2.

Basic Elements and Specifications

Length, overall/along KVL, m	85.06/76.8
Breadth, m	13.04
Draft along load line, m	4.19

Deadweight, t	about 1,153
Displacement, t	about 2,990
Power, main engine, kW	850
Speed, knots	about 11
Cruising range (at 10.9 knots), miles	7,500
Cruising capacity for fuel, days	30
Crew, persons	38

The main engine is an 8NVD48A-2U diesel. There are three diesel generators: 2 X 500 kW, 200 and 50 kW. The thruster has 135 kW power. The capacity of the two cargo holds (for frozen products) is 648 t, and their volume — 590 and 654 m^3. Vegetables can also be kept in two storages with a volume of 210 and 270 m^3. The refrigeration equipment of the Kuhlautomat firm includes four screw compressor units, operating on Khladon 22. The ship has an electric cargo crane with a hoisting capacity of 3.2 t. Units for purifying oily water and electrochemical processing of sewage are provided, as well as a furnace for burning trash.

Work is now being done to increase the cargo-capacity of the refrigerator, through using the vegetable storages as cold cargo accommodations. This will make it possible to transport approximately an additional 250 t of frozen products at a temperature of -28°C.

Kherson Shipyard

The yard concluded a contract with the Norwegian-Philippine company, Aboitiz Besey Bulk Transport Corporation, to supply updated all-purpose timber carriers with a deadweight of 7,500 t. The first two ships, named the Ramon Aboitiz and the Vidal Aboitiz, were turned over to the purchaser last year. According to the terms of the contract, the timber carriers had more powerful Swedish cranes mounted on them, the winches, ship's boats and boat-davits were replaced, and Japanese radio-navigational equipment was installed; the holds, open sections of the decks and superstructure and part of the hull were repainted with a higher-quality paint. After the first two timber carriers were handed over, it was planned to supply this same company with two more ships of the series.

At approximately the same time, a new, updated tanker with a deadweight of 28,100 t, built at the order of the Primorsk Shipping Company AO, was christened. The ship was named Iver Libra. Because of the numerous disruptions in supplies of completing equipment, the tanker took almost two years to build. During this time the purchaser's financial situation deteriorated. In order to finish building the ship, funds were drawn in from a Norwegian firm, which has now become co-owner of the tanker.

Despite the yard's serious financial situation, difficulties with credit and payments for the goods turned over and difficulties in selling the objects built (floating docks, drilling ships), according to the results of the first six months of 1994, the yard's production volume dropped by only 4.5 percent, while on the whole for Ukraine, the level of the production slump was estimated at 40 percent.

Okean Shipyard

Specialists from the yard took part in the international conference, "Modern Technology in Welding-Assembling Processes in Shipbuilding and Machine-Building. Training, Attestation and Certification of Welding Specialists in Accordance with European Norms in the CIS Countries," held in Nikolayev in May 1994. About 80 specialists took part in the conference, including representatives of the Bureau Veritas and Lloyd's Register classification societies and the Union of German Welders. The topicality of the subjects touched upon stems from the increasing number of ships being built for export at CIS shipyards, and the need to ensure for them European norms of quality in the performance of welding work. The conference participants visited the Okean yard, which is planning to hold certification of welders according to the norms, and with the participation of a Western classification society (Veritas). According to the results of this certification, welders are to be issued special certificates which will attest to the degree of skills of the workers and will be valid in all countries of the European Community.

Sevastopol Maritime Yard GP

The yard obtained the right to carry out the second stage of repairing and re-equipping the transatlantic liner United States, displacement 59,140 t, built in 1952. In accordance with a contract signed with the new owner of the ship, Turkish businessman Sadikoglu, Sevmorzavod [Sevastopol Maritime Yard] will perform the second drydocking of the liner, readying all the machinery and fittings for operation, and working on partial cleaning and painting of the underwater part of the hull. In addition, the machinery of the engine and boiler rooms, including the main turbines and boilers, will be inspected, new hull structures will be made to increase the number of traveling accommodations, etc.

This order was the impetus for developing other business contacts with Turkey. Sevmorzavod is planning to set up a joint venture for operation of a floating crane in

Turkey. The yard will also take part in the re-equipment of a ship repair yard in Istanbul.

The selection of items used were from materials of the newspapers KORABEL, SUDOSTROITEL, RYBOCHEYE SLOVO, ZAYEZDI, KRASNYY SORMOVICH, OKEAN, NA TRUDOVOY VAKHTE, SANKT-PETERBURGSKOYE EKHO and others, as well as from advertising brochures and information materials given to the editors by enterprises and organizations.

*'Stabilization' of Oil, Oil Product Prices Explained

954F2695B Moscow SEGODNYA in Russian 28 Jun 95 p 4

[Article by Anastasiya Naryshkina: "Stabilization of Prices on Oil Has Taken on a Menacing Character; Commodity Credit Has 'Undercut' Oil Processing"]

[FBIS Translated Text] Prices on oil and the products of its processing were relatively stable in June. According to the data of the RF [Russian Federation] Government Center for Economic Market Conditions, for the first half of June oil prices increased by 6.6 percent, and prices on petroleum products, specifically gasoline—by 3 percent.

However, while we may speak of some stabilization, it is only stabilization in the worst sense of the word. The petroleum processing plants, which traditionally consume around 70 percent of the oil, are experiencing a serious shortage of money. Solvent demand on oil is practically absent today. As a result, oil producers have been forced to sell their goods literally at production cost. Moreover, some are ready to reduce the level even below the production cost. They are kept from doing so only by the severity of the tax service, which punishes such actions with fines.

The poverty of the Russian NPZ [petroleum processing plants] is caused by several circumstances, the oldest and most customary of which is the crisis of nonpayments. Aside from it, the commodity credit, which is despised by processers, has also played a significant role. Despite the fact that in April and May (results for June have not yet been tallied), the volumes of oil processing increased, the NPZ did not become any richer, since a significant part of their products were in fact shipped to agriculture free of charge. As it appears, the oil processors will be able to get their money from the peasants only with great difficulty. In any case, they are trying to get out of giving such fraternal aid to their fellow countrymen agrarians in every way imaginable. Some have indeed managed to escape from this charitable step. Some, who absolutely could not afford it, simply, in the expression of one of the specialists, "did not get" the fuel to the fields under their patronage.

Finally, the slow turnover of finances in the sphere of oil processing reduces the attractiveness of credits for the NPZ. As a result, the plants do not have sufficient working capital at their disposal, and oil producers try to avoid selling them raw material if they possibly can.

All these sad circumstances have become the reason for the relative price "stabilization." The oil producers do not raise or almost do not raise the prices on raw materials, and the processors of this raw material conduct themselves accordingly. Then again, the figures cited above (6.6 percent and 3 percent) appear to specialists to be rather conditional. More precisely, they appear to be very averaged. Some hold prices at one level or another, while some are undertaking a rather significant increase (for example, in the Northern Caucasus oil has increased in price by 28 percent).

Today oil, taking into consideration the excise tax and the NDS [value-added tax] is sold to processors by producers at an average of 300,000 -340,000 rubles (R) per tonne. Prices of R290,000 or R352,000 per tonne are a rarity. The disparity of prices on A-76 non-ethyl gasoline is rather significant: The Omsk NPZ, for example, is asking R808,000 per tonne, the Saratov NPZ—R1,571,200/tonne. The average level of prices on this product is somewhere between R1,130,000 and R12,000 per tonne. Moreover, the MNPZ [Moscow Petroleum Processing Plant], unfortunately, occupies one of the leading places—R1,263,600 per tonne. Ethyl A-76 costs consumers R989,600 - R1,408,800 per tonne, and non-ethyl A-92—R1,147,600 - R1,648,100 per tonne. At the MNPZ it costs R1,501,600 tonne.

According to expert predictions, the current situation will continue until the Fall. Specialists note its similarity with last year's situation, when literally the entire summer, prices on oil and petroleum products, to the misfortune of the producers and processors, remained at a standstill. The experts, and specifically analysts at the "Kortes" agency, expect the most undesirable development of events—a decline in production and subsequent shortage of products, and as a result—a significant increase in prices. This is what the producers are also waiting for.

*Coordinating Work of CIS Railroads

954E1041A Moscow ZHELEZNODOROZHNYY TRANSPORT in Russian Apr 95 No 4, pp 38-48

[Article by G.K. Golovachev, economic adviser to the Board of 6Directors of the Council on Railroad

Transport: "Coordinating the Railroad Transport Work of the Commonwealth Member States"]

[FBIS Translated Text] To ensure stable economic relations among the member states of the Commonwealth of Independent States, the heads of their governments, in accordance with a proposal of the railroad administrations, by the Agreement of 14 February 1992, founded the Council on Railroad Transport. The main goal of this body is to coordinate railroad transport work on an interstate level and to work out coordinated principles for its activity. At the same time, the decision was made to form a permanent executive organ of the Council—the Board of Directors—to coordinate railroad operations activity and to draw up normative acts regulating the organization of passenger and freight transport among the states of the Commonwealth.

The first meeting of the Council on Railroad Transport was held on 9 March 1992, and it examined the tasks, functions, and organization of its work and that of the Board of Directors. G.M. Fadeyev, RF [Russian Federation] Minister of Railways, was elected chairman of the Council. Soon after this, on 20 March 1992, a Protocol of the meeting of the government heads approved the Statute on the Council on Railroad Transport and the Statute on the Council's Board of Directors, which began to function from April 1992.

According to the Statute on the Council, its members are the heads of administrations and managerial bodies of railroad transport (henceforth railroad administrations) of the Commonwealth member states included in the Council by reason of their position. Also taking part in the work of the Council are the railroad administrations of the Latvian Republic, the Lithuanian Republic, and the Estonian Republic, the rights and duties of which are determined by individual agreements. The RF Minister of Railways is the Chairman of the Council for an unlimited period. If the Chairman is absent, his functions are fulfilled by the co-chairman of the Council, elected yearly from among the members of the Council in turn from the railroad administrations in the order of the names of the states according to the Russian alphabet.

The Council is guided in its activity by the legislation in force in the Commonwealth member states, the decisions of the Council of Heads of States and the Council of Heads of Governments of the Commonwealth, other organs of administration being formed by the Commonwealth member states that are empowered to make decisions pertaining to railroad transport, and also by the Statute on the Council. The Council examines and solves problems of railroad operations activity, of the use and technical maintenance of rolling stock, the conditions for freight and passenger transport, the guarantee of traffic safety in interstate service, of clearing accounts for work and services performed, and of coordinating the proposals on supplying the railroad administrations with rolling stock; makes coordinated decisions on priority directions of railroad transport development; and considers other questions arising during transport in interstate service and in service with third countries.

Approval of the structure and functions, the list of staff members, estimates of expenditures, and the procedure for financing the Board of Directors of the Council on Railroad Transport, appointing the Chairman of the Board of Directors of the Council and his deputies to office, and relieving them of their office are also under the jurisdiction of the Council.

The Council solves problems at its meetings, which are conducted when necessary, but at least twice a year. Conferences of authorized representatives of Council members may be convened between Council meetings to solve individual problems. Decisions may also be made, in accordance with the established procedure, through written consent by members of the Council. Council meetings are as a rule held in turn in each of the Commonwealth member states. Each member of the Council has one vote. Decisions on questions of a procedural and administrative-economic nature, which do not affect the economic interests of Council members, are made by the necessary majority of votes. Decisions on financial problems are made unanimously by members of the Council.

The basic tasks of the Board of Directors of the Council on Railroad Transport are to carry out the decisions of the Council, coordinate the throughput of railcar flows, and draw up drafts of basic statutes regulating interaction and economic responsibility in transporting passengers and freight between the Commonwealth states, as well as transit transport in service with third countries with a common fleet of railcars and containers. The Board coordinates and participates in preparing, in conjunction with railroad administrations and their organizations, drafts of documents and decisions for consideration by the Council. In accordance with the instructions of the Council, the VNIIZhT [All-Union Railroad Transport Scientific Research Institute], Russian GVTs MPS [Main Computer Center of the Ministry of Railways], PKTB ASUZhT [Planning-Design and Technological Bureau for Automated Railroad Transport Control Systems], and certain other organizations make studies of a number of problems. The procedure for carrying them out and financing them is determined by the plans for NIOKR [scientific research and experimental-design work], approved by the Council, or by its individual decisions. The Board organizes the holding of conferences of railroad administration representatives and fulfills secretarial functions for Council meetings.

Operations activity for assistance in solving problems of transporting and transferring trains and railcars across interstate junction points occupies a substantial place in the work of the Board of Directors. The 24-hour operation of the dispatcher staff has been established at the Board, and the situation with respect to the movement of transport, use of rolling stock, and other problems of railroad work in interstate service is regularly examined at selector conferences, with the participation of senior workers of the railroad administrations, with the appropriate recommendations and decisions made.

The Board makes the settlements between the railroad administrations for the use of freight cars and containers. It includes the following four departments: correlating the plan for transport and coordinating operations; working out the conditions for transport, tariffs, and document-claim work; drawing up normative acts and clearing accounts for transport and repair of rolling stock; administrative-managerial work. Expenditures related to the Board's activity, including those to maintain its staff, are financed by the railroad administrations in accordance with established principles, depending on the extent of their network. The board is a legal entity, and has an independent balance and current account in the bank. It is located in Building 2, Novaya Basmannaya St., Moscow.

In the period that has passed since the day the Council on Railroad Transport was formed, it has held 12 meetings, at which a wide range of questions of the work of the railroads under the new conditions has been examined. Over 50 agreements, rules, instructions, statutes, and other important documents related to the functioning of railroad transport in interstate service have been prepared and adopted. The activity of the Council, Board, and railroad administrations has made it possible to preserve the technological unity of the railroad network and to ensure the transport of passengers and freight in the volumes presented, and has assisted in solving economic and social problems of the Commonwealth states.

At the suggestion of the Council, the most important problems of railroad transport were considered and solved by the Council of Heads of States and the Council of Heads of Governments of the Commonwealth Member States. The Council of Heads of States is the higher organ, in which, at this level, all the Commonwealth member states are represented for discussion and solution of problems of principle related to the activity of the Commonwealth states within the sphere of their common interests. The Council of Heads of Governments coordinates the cooperation of the organs of executive authority of the states of the Commonwealth in economic, social, and other spheres of common interest. The Council of Heads of States assembles at meetings twice a year, and the Council of Heads of Governments—four times a year.

On 21 October 1994, the member states of the Agreement on Creating an Economic Union, seeking to ensure the formation and efficient activity of this union and the optimal development of integration processes within the framework of the Commonwealth, formed a permanent coordinating and executive body of the Economic Union—the Interstate Economic Committee (MEK), located in Moscow. One of its important tasks was to implement coordinated measures with respect to the activity of objects and spheres of a transnational nature (power systems, transport, communications, gas and oil pipelines, etc.) and objects of joint state ownership.

The highest managerial organ of the MEK is its Presidium, which consists of the deputy heads of governments of the member states of the Agreement on Creating an Economic Union and assembles for its meetings when necessary, but at least once a quarter. In the period between the meetings of the Presidium, the functions of its working body are fulfilled by a Collegium consisting of authorized representatives of the states, the Chairman of the Collegium, and his deputies. In this case, the Chairman of the Collegium and his deputies cannot represent the interests of their own states. The Chairman of the Collegium is by his office the deputy chairman of the Presidium and heads the MEK staff. With the formation of the MEK, the Coordinating-Consulting Committee of the Commonwealth member states virtually ceased its activity.

An Executive Secretariat of the Commonwealth was created in May 1993 on the basis of a Working Group, for organizational-technical support of the work of the Council of Heads of States, the Council of Heads of Governments, and, when necessary, other organs of the Commonwealth. It is headed by the CIS Executive Secretary, appointed by the Council of Heads of States. The Commonwealth member states are represented in the Secretariat by permanent authorized representatives, who occupy supervisory offices in it. On the basis of the special functional features, the following administrations are included in the structure of the Secretariat: social-economic cooperation; interstate political-legal and military cooperation; organizational; informational; administrative-managerial; and office work, which are subdivided into the appropriate departments. There are also two independent departments—international relations and peacemaking activity, and personnel. The Executive Secretariat is located in the city of Moscow.

Operations, Division, and Use of Railcars and Containers

The directors of the organs of railroad transport administration and the railroads of the Commonwealth member states signed, on 25 January 1992, before the creation of the coordination bodies of railroad transport, an Agreement on the Basic Principles of Railroad Transport Operations of the CIS Countries in the Transitional Period. It could ensure a high level of operation and successful satisfaction of the need for transport only when working with a common fleet of railcars and containers on the basis of the technological unity of the transport process. It was therefore decided to leave unchanged the existing principles of operations management, as well as all the normative acts of the MPS in force at the date of signing the Agreement which regulated the organization of the transport process. It was also acknowledged necessary to retain the existing procedure for clearing accounts between the railroads for transport performed, including the responsibility for delay in delivering freight, unguarded transport, use of the railcar and container fleets and their repair. At the same time, a group of specialists was created to work out systems of operation, repair, and maintenance of the railcar fleet, on the basis of the new conditions for its operation.

The Council on Railroad Transport and the Board of Directors of the Council paid paramount attention, from the very beginning of their activity, to coordinating the transport process in interstate service and to drawing up normative acts on organizing operations. Among the first of these documents were agreements on the work of the interstate junction points of the railroads in the transitional period and on calculation of the amounts of freight transport and the work of the railcar fleets. They went into force from 1 July 1992. At the same time, as an experiment, economic responsibility was stipulated for non-fulfillment of certain operations indicators. Later, the Basic Principles for Calculating Indicators of the Use of Railcars and Regulation of the Railcar Fleet in Interstate Service were adopted, and these were important for regulation of the railroads' work.

To ensure the coordination and stability of railroad operations activity, the Council approved a List of the Forms of Operational and Statistical Information being passed to the Board by the railroads. It includes 37 forms of daily, monthly, quarterly, and yearly reporting on various services, as well as the basic indicators of the track service on 1 January of each year.

Every year the railroad administrations, with the coordination of the Council and the Board of Directors, work up a traffic chart and a plan for making up trains in interstate service, which form the technological basis of the railroads' work. In the existing plan for making up trains, they managed to maintain the principle of using the shortest routes and minimum number of revisions of railcar flows en route, as well as to ensure the uniform distribution of sorting operations among railroad administrations. The Rules for Planning the Transport of Freight in Interstate Service and in Export in International Service have been adopted and are in force.

Considering the economic advisability of interaction of the railroad systems of the Commonwealth member states, the Latvian Republic, the Lithuanian Republic, and the Estonian Republic, as well as the unified structuring and well-developed practical work of the operation and development of information-control systems, systems of technological communication, and the automated railroad equipment in operation on the railroads of these countries, the Parties agreed to retain and develop a common information space. The basic principles of implementing this agreement were adopted and are being put into practice.

To retain the technological unity of the railroads of these states, a decision was made on the effect on them of the unified regulations of the Rules for Technical Operation, the Instructions on Signaling, and the Instructions on Train Traffic and Shunting Operations.

The Agreement on Principles of Joint Use of Freight Cars in Interstate Service, signed by the directors of the railroad administrations on 20 October 1992, has become the basic document regulating the use of freight cars (except for isothermal, transporter, technical-service, and highly specialized cars). It confirms the preservation of the existing system for using the railcar fleet, based on a unified traffic schedule and plan for making up trains, procedure for directing railcar flows in international service, and technical plan for the operation of rolling stock, which ensures the efficient performance of freight transport.

It has been established that the data on railcar fleets are concentrated in the Russian GVTs MPS. For this purpose, the railroad administrations of the states regularly report on number changes in the railcar fleets. In order to define more precisely the data on the presence, location, and technical condition of the railcar fleet, these parameters are evaluated yearly by making a one-time inventory of the cars on all the railroads.

Freight cars that were produced or will be produced before 1 January 1997 and have clearly inscribed eight-symbol numbering and designations for the period of their normative service and established between-repair periods and fully meet the requirements of the Rules for Technical Operation and other normative documents approved by the USSR MPS are permitted for joint use. Subsequently, all the new and updated models of cars introduced into joint use should comply with the normative-technical documents approved by the Council on Railroad Transport. All railcars in joint use have the appropriate designations of the railroad administration of the owner state (Table 1). The Agreement also contains regulations pertaining to the technical service and repair of freight cars and clearing accounts for the use of the cars.

Table 1. Conventional Designations of the Railroad Administrations of Railcars of Owner States

Railroads	Conventional Letter Designation	Code Number
Azerbaijani	AZ	57
Armenian	ARM	58
Belarusian	BCh	21
Georgian	GR	28
Kazakhstani	KZKh	27
Kyrgyzstani	KRG	59
Latvian	LDZ	25
Lithuanian	LG	24
Moldovan	ChFM	23
Russian	RZhD	20
Tajikistani State	TDZh	66
Turkmenistani	TRK	67
Uzbekistani	UZB	29
Ukrainian	UZ	22
Estonian	EVR	26

The Council's central task in the period 1992-1993 was to divide up the fleets of freight cars and containers of the former USSR MPS among the states that had formed and work out the rules for their further use, in order to ensure their proper updating, modernization, repair, and efficient operation. For this, the Council prepared a methodically proportional and by-number distribution of the fleets of freight cars and containers, as well as drafts of interstate agreements on their distribution and use.

After various versions had been studied, the following was decided. On the basis of the fundamental principle of creating equally possible conditions for fulfillment of the volumes of transport offered in each state, the common railroad fleet was to be divided up both as a whole and by shares of each type of railcar (except isothermal, transporter, and highly specialized) which had been pooled on the railroads on the average during 1986-1990—the period of railroad transport's most stable operation. At the same time, provision was also made for observing proportionality with respect to the railcars' year of construction. A method was adopted to divide up the container park in accordance with which it was distributed among the states in proportions corresponding to the actual presence of containers on the railroads on the average for 1991, the year most characteristic for both the already formed and future conditions of their operation.

The heads of states, having considered the proposals prepared by the railroad administrations, on 22 January 1993 signed an Agreement on Dividing Up the Inventoried Fleets of Freight Cars and Containers of the Former USSR MPS Among the Member States of the Commonwealth, the Azerbaijan Republic, and the Republic of Georgia (these two states were not participants in the Commonwealth by the time the Agreement was signed), the Latvian Republic, the Lithuanian Republic, and the Estonian Republic, and on the Further Joint Use of This Rolling Stock. The Agreement specified full dividing up of the ownership of the fleet of all-purpose and specialized railcars among the states in accordance with the proposal presented. At the same time, the railroad administrations were instructed to coordinate the conditions for dividing up the fleets of isothermal, technical-service, and highly specialized railcars, transporters, and containers.

It was established that freight transport was to be carried out on the basis of joint use of the freight cars and containers that were the property of the Agreement's member states, with the user bearing material responsibility for maintaining the rolling stock and for its use, through clearing accounts. The Parties were obliged to supplement, modernize, and repair the freight cars and containers promptly and to create the necessary conditions for their production and mutual supply. The Council on Railroad Transport was instructed to coordinate the work on joint use of railcars and containers.

Somewhat later, on 12 March 1993, the heads of governments, by way of carrying out the instructions of the heads of states, signed an Agreement on Joint Use of Freight Cars and Containers Located on the Property of the Commonwealth Member States, the Azerbaijan Republic, the Republic of Georgia, the Latvian Republic, the Lithuanian Republic, and the Estonian Republic. The Agreement noted that the railroads of the Parties used the technology of joint operation of freight cars and containers in interstate service, which specified their efficient use, maintenance in the proper technical condition, and guarantee of train traffic safety.

Freight cars and containers that conform to structural, technological, and other normative-technical documents approved by the railroad administrations are permitted for joint use. These requirements also pertain to railcars and containers belonging to industrial enterprises, organizations, departments, and private persons of the Parties, during their use in interstate service. For unimpeded throughput of trains through transfer stations, the railroad administrations, in conjunction with customs, law enforcement, health, and other organs and organizations participating in this process, ensure the fulfillment of the approved complete technology of transfer and acceptance of railcars, and the development and equipping of stations with modern technical devices.

The fleets of all-purpose and specialized freight cars and containers were divided up in accordance with these agreements and the decisions of the Council. Beginning in September 1993, joint operation of freight cars was organized, with economic responsibility for their use, and work is being done to introduce clearing accounts for the use of all-purpose containers. In order to improve the railcar fleet, work on relocating to the owner-roads the railcars belonging to them which had certain defects in the bodies and elapsed periods for planned repairs preceded the transition to economic responsibility for the use of railcars.

According to the Council-approved Rules for Clearing Accounts for the Use of Freight Cars in Interstate Service, the freight transport of each railroad administration is to be carried out, as a rule, by the railcar fleet within the limits of the quota established for it. This quota includes the total of railcars: of the fleet owned by the member states of the Agreement (by types), allotted from the inventory of the former USSR MPS, and the fleet of cars owned by enterprises and organizations, departments, and private persons (by types), determined according to the shares agreed on.

The railroad administrations use the cars free of charge, if their number does not exceed the quota. For the use of rolling stock exceeding the quota, the railroad administration submits payment according to unified rates per car-day, approved by the Council. If the fleet is below the quota, the railroad administrations receive the appropriate sum. The clearing operations are made by types of cars. The quotas are established for each month on the basis of the changes that have taken place in the railcar fleet.

In the transitional period, until the introduction of an automated system of by-number recording of the transfer and tracking of railcars at interstate junction points has been completed, clearing operations are being implemented on the basis of their general presence, including by types, and including their own railcars. The actual presence of railcars on the territory of each railroad administration is determined as their total number, according to the existing registration categories, including those located on the railroads of states that have not entered into the Agreement on Joint Use of Freight Cars (of Third Countries), New Buildings, and Enterprise Approach Tracks, also including their own cars. Inventory is taken daily, using the balance method.

Only cars that have been examined and recognized by the roads as suitable in the technical and commercial respect, in accordance with the normative documents in force, are presented for transfer. Freight trains should be taken to the interstate junction point in accordance with the plan for make-up, the procedure for directing railcar flows, and the shift-day plan for train work agreed upon among the neighboring railroads.

The Board of Directors of the Council makes the settlements, on the whole and among the railroad administrations, on the basis of the report data presented by the Russian G[illegible] MPS. The procedure for distribution of currency receipts obtained while the railcars are in third countries is determined by special Instructions, approved by the Council.

Because of the deviations in quantity of the freight car fleet with respect to certification data and the results of the inventory, work is being done to raise the quality of the inventory and to eliminate discrepancies.

The system of organizing work with the fleet of isothermal railcars under the new conditions is determined by the Agreement on its distribution among the Commonwealth member states, the Latvian Republic, the Lithuanian Republic, and the Estonian Republic and on its further use (27 May 1994), as well as by the Agreement on the Use and Technical Service of Isothermal Cars and Clearing Operations Related to the Transport of Freight in Them (10 December 1994), which went into force beginning on 1 April 1995. The Rules of Operation and Technical Service of Isothermal Rolling Stock were adopted as appendices to the latter, and the Rules of Settlements for the Transport of Perishable Freight and Use of the Fleet of Isothermal Railcars are to be approved at the next meeting of the Council.

The fleet of isothermal cars was divided up in the quantitative respect on the whole according to the same principle as the all-purpose freight cars. Within the limits of the calculated share of ownership of each state, however, distribution was specified by groups of cars (all types of isothermal cars are divided into seven groups) and years of construction. In this case, the task was set to have refrigerator sections of one type as a rule become the property of a state with observance of the specialization of the refrigeration depots or cars of one group (in states not having refrigeration depots), so that the average of the rolling stock obtained be close to the average age of the entire divided-up fleet, and so that minimum relocation of rolling stock would be ensured.

The agreements specified free use in interstate service of isothermal cars owned by the member states of the Agreements, and unified principles for their service. In this case, this means adherence to the unified regulations of the Rules for Technical Operation of Railroads and other normative-technical documents, and the creation of a unified Center for Operations-Technical Management of the Isothermal Railcar Fleet. It is also permissible to use in interstate service cars that are leased and are the property of enterprises, organizations, or legal or physical persons, and which meet the same requirements as the cars belonging to the states. The procedure for their use is determined by individual bilateral and multilateral agreements.

Self-contained refrigerator cars and thermos-cars are operated in accordance with the instructions in force, and also on the basis of bilateral and multilateral agreements among the railroad administrations.

Freight is transported in isothermal cars according to the principle of their joint use. In this case, cars are moved for loading to the road of another state only with the consent of the railroad administration that owns them and the administration to which the freight is presented for transport.

The railroad administrations provide the Center for Operations-Technical Control of the Isothermal Fleet with the necessary information on location on their territory and the condition of the railcars of all owners, and on the assignments for their moving. On their part, the administrations fulfill the operations instructions of the Center related to the movement, technical service, and wait for loading for these cars. The Center informs the owners of the location and condition of cars belonging to them upon their request. Both the Center and the railroad administrations obtain all the necessary information on the work of the isothermal rolling stock from the GVTs MPS and the main computer center of the railroads. The Control Center is part of the Board of Directors of the Council on Railroad Transport and is financed by the railroad administrations participating in the Agreement.

Empty isothermal rolling stock in interstate service is moved during operations regulation and for repair in accordance with complete freight documents. Equipping the isothermal cars with fuel, coolant, and other materials, as well as routine repair of the special equipment, are carried out at their owners' expense. The crews serving the refrigerator rolling stock are appointed by the railroad administrations that own it.

In the transitional period, the Russian MPS manages the work of the refrigerator rolling stock in accordance with the decisions of the Council, with joint financing by the railroad administrations of the appropriate additional staff, numbering nine specialists. The existing system of financing the refrigerators and collecting payment for the use of the cars is retained, as well as the system of clearing accounts for equipping this rolling stock with fuel, oil, and other materials.

The fleets of railroad transporters and highly specialized railcars of the inventoried fleet of the former USSR MPS were divided up among the Commonwealth member states, the Latvian Republic, the Lithuanian Republic, and the Estonian Republic according to their residual value, in accordance with the shares agreed upon. It was decided to set up an interstate organization for joint use of transporters and to ensure the transport of overly large and heavy freight (Transgabarit Joint-Stock Company). Until this organization is set up, the fleet of transporters remains virtually indivisible, with the former procedure maintained for their use, technical service, and repair, and the managerial-regulatory functions left to the Russian MPS.

Operation of the container park is regulated by the Agreement on Principles for Joint Use of All-Purpose Containers and the Rules of Clearing Operations for Their Use in Interstate Service of the participating railroads of the Commonwealth, Latvian Republic, Lithuanian Republic, and Estonian Republic. The system of using containers, based on a unified plan for make-up, the design parameters of their operation, the Rules for Freight Transport, the Technical Conditions for Loading and Securing Freight, the International Convention for Container Safety, the Rules for Commercial Inspection of Trains and Railcars, and the procedure for directing container flows, ensuring efficient transport performance, is retained.

The statutes of the Agreement extend to all-purpose containers belonging to industrial enterprises and other organizations and departments of the states whose railroad administrations participate in the Agreement, as well as to third countries, when the containers are used in interstate railroad service on the entire railroad area. These containers, together with the containers of the divided-up park, constitute the operating park for joint use of the participants in the Agreement. Information on the size of the divided-up park of containers is concentrated at the Russian GVTs MPS. For this purpose, the railroad administrations regularly report by telegraph to the GVTs on number changes in the parks. The record of container acceptance and transfer is kept on the basis of the existing inventory on Form DO-1.

In the process of transport, some of the containers are transferred to other types of conveyance (sea and river) and to the countries of the far abroad. In this case, the principle of their equal exchange is violated, and the general average daily presence of the container park for each month on the network of the Agreement participants remains variable, which is reflected in the existing monthly reports of Form KEO-4. Because of this, a variable quota is introduced as the basis of calculating the surplus or insufficient park of containers. It is calculated for each railroad administration as a share (percent) of the total average daily presence of the actual park of containers of all the user states. The surplus or insufficient park of containers for each railroad administration is determined as the difference between the actual general presence of the park and the quota.

In 1994, the Board of Directors made experimental calculations for the use of the container park in September. The transition from experimental calculations to production calculations requires the introduction of a system of complete recording of the transfer of containers at interstate junctions, as well as at sea and river ports. The differences revealed by the inventory between the actual and balance presence of the containers must also be eliminated, and the recording method must be improved. An automated system of collecting and processing operations information on the use of the container park, based on the balance method (ASOUK-1), is now being introduced for operations control of the container park.

The Council on Railroad Transport regularly examines the problems of using rolling stock and ensuring the transport of freight and makes the appropriate decisions and recommendations. For example, when in August 1992 the situation with the transport of agricultural products, imported grain, and petroleum products grew complicated, the special fourth (extraordinary) meeting of the Council was devoted to this problem. The mutual understanding and coordinated actions of the railroad administrations helped to solve the problem that had arisen. All this contributed to ensuring the transport of freight in the volumes presented in the period from 1992-1994 (Table 2).

Table 2. Freight Transport on Railroads of the Commonwealth Member States

Railroads	Freight shipped, million tonnes			1994 in percentage of 1993
	1992	1993	1994	
Azerbaijani	22.9	18.4	11.0	60.0
Armenian	2.6	0.9	0.8	82.2
Belarusian	95.6	71.5	50.1	70.1
Georgian	7.7	5.3	3.0	57.4
Kazakhstani	279.1	218.2	172.9	79.2
Kyrgyzstani	3.7	2.1	1.1	51.8
Moldovan	9.1	6.1	4.5	73.8
Russian	1,630.8	1,344.3	1,053.1	78.3
Tajikistani State	1.6	1.2	1.4	121.0
Turkmenistani	22.8	18.4	13.8	75.2

	Freight shipped, million tonnes			
Uzbekistani	63.8	59.8	48.5	81.1
Ukrainian	735.4	531.9	407.3	76.6
Total for Commonwealth	2,875.1	2,278.0	1,767.5	77.6

In 1994 the level of organizing the operations of railroads in interstate service rose somewhat. The interaction of the railroad administrations improved, which had a positive effect on the fulfillment of the passenger train traffic schedule. The system of material responsibility for joint use of railcars that was created had a positive influence on the allocation of rolling stock by railroad administrations in accordance with the approved norms. On the whole, the railroads ensured the transport of virtually all the products presented, although there were certain difficulties in the export of coal, bulk freight, and grain, particularly in October. Cases of delayed ensurance of loading were to a considerable extent related to the increased quantity of defective railcars and the lowering of the level of rolling stock use on a number of railroads. In order to reduce the empty run of railcars and ensure the mass export of freight in individual periods of the year, as well as to reduce operating costs, at the 12th meeting of the Council on Railroad Transport (10 December 1994) it was decided to create a Council reserve made up of the empty cars of the fleet for joint use, by individual types. The appropriate addition was introduced into the existing Rules for Clearing Operations for Freight Car Use.

In 1994, a further reduction was observed in the volumes of freight transport on the roads of all the states of the Commonwealth, which caused a production slump and the disruption of economic ties between the regions and, particularly, the states. On the railroads of Azerbaijan, Armenia, and Georgia, and on Russia's North Caucasus Railroad, a serious reason for the reduction in the transport volume lay in outside interference in the activity of railroad transport, and attempts to solve regional political problems through influencing its operation. Because of this, train traffic was suspended for a long time between the Azerbaijan and Armenian railroads on the Mindzhevan-Dzhulfa-Sharur routes, and transport links with Iran and Turkey were disrupted. Train traffic between the Georgian and North Caucasus railroads was suspended at the junction point of Veseloye, and between the North Caucasus and Azerbaijan railroads at the Samur junction. This disrupted the main transport links for normal functioning of the economy and the life-support of the population of the Caucasus region, and led to a great cut in income and major losses in the operations of the railroads.

The inadequate allocation of diesel fuel and oil for train traction on a number of railroads—particularly in Kazakhstan, Ukraine, and Moldova—also had an adverse effect on operations. This led to a cutback or suspension of traffic in individual interstate services, and also to an increase in the distance of transport, because of their switching from diesel to electrified movement. At some interstate junction points, trains and railcars were delayed because of technical defects in the rolling stock and because of late payment by those dispatching transit freight transport. As before, there were considerable deviations from the accepted volumes of loading for the roads of destination, which caused changes in the norms regulating the movement of empty cars.

Raising the level of railroad operations requires more decisive actions, directed toward eliminating the shortcomings noted, strengthening technological discipline, and improving the use of rolling stock.

Technical Service and Repair of Rolling Stock

The agreements and rules for joint use of freight cars established that, in the technical and commercial respects, their efficient working condition would be ensured by a unified system of technical service and repair. Its basis is the planned-preventive principle and repair-operation documents approved by the Council. In the transitional period, up to 1 January 1997, the existing system of repair and normative-technical documentation is being retained.

Planned types of railcar repair and their updating are performed by the forces and resources of the owner state, and should ensure safe operation until the next planned repair, on condition that the established rules for technical operation are observed. If there is a shortage of repair bases, the railroad administration of the owner state ensures the planned repair of its cars on the basis of direct contracts. Cars sent for repair should be turned over to the railroad of the owner state no later than the expiry date of the between-repairs period. Technical service and routine repair of the railcars are carried out by the forces and resources of the railroad administration of the user state on the territory of which the need for them has arisen.

The use of railcars to transport freight that causes a reduction in the normative service period or damage that makes it necessary to exclude the car from the inventoried fleet, as well as the loss of railcars, are compensated for by the railroad administration of the user state, in kind or in terms of value. The railroad administration of the railcars' owner state makes the decision on the form of compensation. Railcars are excluded from the inventoried fleet only by decision of the railroad administration of the owner state and, as a rule, on its territory.

Technical service and repair of containers is also performed according to the rules agreed upon, which are, for many basic items, similar to the rules for technical service and repair of freight cars.

The Council on Railroad Transport, attaching exceptional importance to the good working order of freight cars, has repeatedly considered the problems of stabilizing their technical condition, has determined the appropriate measures, and recommended that the railroad administrations draw up and put into practice programs to improve the railcar fleet, establishing priority and future tasks. The Council has formed a permanent Commission of Authorized Specialists in Railcar Service of the railroad administrations. The Commission's task is to work out unified technical decisions, norms, and practical actions aimed at ensuring the operability of the railcar fleet in joint use. The Agreement on the Creation and Functioning of an Automated Data Bank for the inventoried fleet of freight cars of the railroads and railcars belonging to enterprises and organizations was passed, and an Information-Technical Center to record the railcar fleet and its technical condition (ITTs) has been formed and has begun operation. It handles information support for the control of planned repairs, routine maintenance, and safeguarding of the railroad fleet.

Nevertheless, the railroad administrations have been unable to achieve any improvement in freight car maintenance, which has resulted in a deterioration in the technical condition of the railcar fleet. The average daily remainder of defective cars has risen on the railroads of almost all the states. The main reason for this is the considerable cutback in the volumes of all types of railcar repair. On the whole for the railroad network, according to the results given in May 1994, the inventory revealed that 23 percent of the cars in the inventoried fleet were overdue for planned repairs. A number of railroad administrations perform unsatisfactory routine maintenance of the railcars, and do not allot the financial and material-technical resources necessary to perform repair and promptly replace worn-out parts, particularly wheelpairs.

There has been a sharp decrease in the updating of the railcar fleet. The purchase of new railcars by the railroads of the Commonwealth states has dropped from 54,300 units in 1990 to 14,500 in 1993 and 9,900 in 1994. Of all the railcars purchased in 1993 and 1994, Russian railroads acquired respectively 10,400 (71.1 percent) and 7,600 (76.4 percent), and Ukraine—3,900 (26.7 percent) and 2,200 (22.0 percent). The railroads of almost all the other states bought no railcars, even though some were eliminated from their inventory. As a result, in four years the inventoried fleet of freight cars in joint use decreased by more than 150,000 units. The locomotive fleet is also aging because of the cutback in updating rates.

The sharp reduction in the purchase and repair of railcars and locomotives has put transport machine-building plants and rolling-stock repair plants in a difficult position. At the suggestion of the Council on Railroad Transport, the heads of the governments of the Commonwealth states signed, on 9 September 1994, an Agreement on Cooperation in the Sphere of Re-Equipping and Updating Railroad Rolling Stock. In accordance with this Agreement, the state organs of the countries were obliged to conclude bilateral and multilateral long-term agreements on maintaining and developing interrelations between transport machine-building enterprises and the railroads, and on re-equipping, repairing, and updating railroad rolling stock on the basis of the interests and requirements of the Parties, and also on drawing up comprehensive scientific-technical programs to develop promising competitive rolling stock. The Parties, in accordance with their legislation, were obliged to make decisions on state support of railroad transport and transport machine-building enterprises in their re-equipping, repairing, and updating the rolling stock. It was also stipulated that the railroad transport and transport machine-building enterprises and enterprises supplying them with raw material, materials, and completing items, be relieved of paying customs duties in reciprocal supply of goods.

It is vitally necessary to realize these obligations and the decisions made by the Council on stabilizing the technical condition of freight cars and updating rolling stock. In particular, in accordance with the decisions of the 12th Meeting of the Council, bilateral and multilateral meetings of railcar specialists must be held to consider the specific problems of organizing repair and ensuring high-quality acceptance of railcars at interstate transfer points. Agreements (contracts) must be concluded between the producers of railroad rolling stock and the enterprises for its repair, and number control must be established by the ITTs to send the railcars promptly to planned types of repair, with the appropriate information of the railroad administrations on the presence and location of their cars requiring repair by a deadline.

Conditions for Freight Transport

In order to create favorable conditions for the development of economic ties between the Commonwealth member states and to avoid additional expenditures and complications at junctions, the Council on Railroad Transport, at its fifth meeting (20 October 1992), made the decision to retain, as the unified Railroad Regulations on the railroads of the Commonwealth states, the Rules for Freight Transport, the Technical Conditions for Loading and Securing Freight, and other normative documents regulating the procedure for performing commercial operations and the interrelations of the railroads with freight consignors, freight consignees, and other forms of transport. When it is necessary to introduce amendments and additions into these normative documents and to prepare new ones, they will be accepted on the initiative of the railroad transport management organs of the Commonwealth member states, by joint decision of the governments of the Commonwealth member states or the Council on Railroad Transport—depending on the level of the questions being decided. The railroads, when transporting freight in intrastate service, have the right to apply the Railroad Regulations, the Rules for Transporting Freight, and other normative documents drawn up and approved in accordance with the procedure established in each state.

One of the important normative documents regulating freight transport in interstate service is the Provisional Agreement on the Procedure for Transferring Railcars and Containers With Freight Across Interstate Junction Points, which the Council passed at the ninth session (15 October 1993). According to this Agreement, the railroad administrations of contiguous states have established interstate transfer stations to perform the operations of transferring shipments and registering documents, and have determined at which stations the freight will be handed over and accepted, separately or jointly. Freight is transferred according to a transfer list compiled by the party handing over, or according to the schedule of train freight. The Agreement sets forth in detail the procedure for transferring freight with various methods of transport, for registering and eliminating commercial and technical defects discovered in the cars and containers and other shortcomings, and for settling disputes.

To increase the safeguarding of the freight being transported, the Council approved a new, broader list of freight that should be accompanied and guarded by railroad armed security during transport in interstate service. In this case, the rates of the charges for the escort and guard of the freight transported in interstate and international service are established in each state, and the charges are collected in accordance with the procedure specified for collecting carriage charges. In intrastate service, the list of freight subject to escort and guard may be established in each state independently, and in service with neighboring states—according to bilateral agreement.

Beginning on 1 May 1994, a new procedure was introduced for registering transport documents and settlements for freight transport in interstate and international service, corresponding to international principles of settlements under the conditions of a market economy. In the former system of centralized settlements, the railroads collected the payments for transport from the consignor for the whole route of travel of the freight to the station of destination, and the sum obtained was transferred to a centralized account for all the roads, from which each road, in accordance with the accepted rules, then received its own portion, depending on the volume of work performed. Because of the disruption in the system of bank settlements and the introduction of their own currency in the states which had formed, however, their railroads, having received payment for transport from the freight consignor, found themselves unable to transfer the funds to the centralized account. As a result, the entire system of settlements fell apart, and many railroads formed a large debt.

With the decentralization of the accounts, payments for the transport of freight in interstate service between the railroad stations of the Commonwealth member states and in international service are collected as follows: for transport by the railroad of dispatch to the border junction points—from the consignor, and for transport along the railroad of destination—from the consignee of the freight. Interstate settlements for this transport are thus eliminated. As for payments for transit freight transport, they are now made by the freight consignee or the freight consignor through a forwarding organization that has a contract with the transit railroad and corresponding accounts in the banks of the CIS countries (unless something different is stipulated by agreements between the railroad administrations). This procedure makes possible unimpeded implementation of interstate settlements.

The Council has devoted considerable attention to the problem of tariffs for freight transport in the changed economic relations among the states. The fifth meeting of the Council (20 October 1992) determined the principles for forming a unified tariff policy for freight transport in interstate service. It was established that the tariff policy and the level of rates for transporting transit freight along the network of railroads of each of the states included in the Commonwealth, as well as those of the Latvian Republic, the Lithuanian Republic, and the Estonian Republic, are to be regulated directly by the freight transporters—the railroad administrations of the states. Tariff conferences of authorized representatives of the railroad administrations are to be held at least once a year to coordinate questions of the tariff policy and to work out recommendations on the level of transport rates.

The Council has recognized the advisability of concluding regional tariff agreements between individual railroad administrations to take into consideration the economic interests of the railroads taking part in the transport of transit freight and to ensure their independence in making decisions on the tariff policy and practical establishment of the levels of rates, and on attracting freight transit flows. The advantages of a coordinated tariff policy within the framework of the existing Tariff Agreement include a stable rate level in Swiss francs for an extended period. This will make it possible to avoid the effect of inflation processes and will give freight owners a real possibility of concluding contracts, by having a predictable basis for transport costs.

Valuable positive experience in forming a tariff policy and perfecting it when freight is transported in interstate and international service has been accumulated in the process of carrying out the Council's decisions. The main result of this activity is the creation of a unified tariff area within the framework of the Commonwealth member states, on the basis of the conditions formed on the transport market, as well as the economic interests of the railroads.

The Council on Railroad Transport approved and put into force, beginning on 1 January 1995, the Procedure for Considering and Regulating Claims for Non-Safeguarded Transport of Freight in International Railroad Service by the Commonwealth Member States, the Latvian Republic, the Lithuanian Republic, and the Estonian Republic and the Instructions for Claim-Document Work on the railroads of these states. The MPS Rules on these questions that were previously in force were rescinded at this time.

In order to put order into calculating the periods for delivery of freight, to determine the amount of compensation for time-limit expiration and consider claims on a delay in delivering freight in accordance with the railroad work conditions formed in transporting freight in interstate service, the railroad administrations approved the use, beginning on 1 February 1995, of the appropriate provisions (articles and points) of the International Railroad Freight Traffic Agreement (SMGS) and the Official Instructions for this Agreement. Preparatory work is in progress on applying other SMGS provisions in the transport of freight in interstate service.

To carry out settlements between the railroad administrations for various forms of activity, including clearing accounts for the use of railcars, and to increase responsibility for late payments, the 12th meeting of the Council (10 December 1994) approved the Rules for Complete Settlements Among the Railroad Administrations of the Commonwealth Member States, the Latvian Republic, the Lithuanian Republic, and the Estonian Republic. This document regulates the items and settlement procedure for each of them, with indication of the forms of work for which the settlements are being made, by nonacceptance or acceptance procedure, how to monitor them, and the balancing and discharge of payments. Comprehensive clearing operations are to be carried out in Swiss francs. The type of currency for the payments is agreed upon among the railroad administrations on a bilateral basis.

Passenger Transport, Safety, and Social Questions

Coordinated development and correction of passenger train traffic schedules is carried out, and their fulfillment is regularly monitored, in order to ensure the proper organization of passenger transport in interstate service within the framework of the Council on Railroad Transport. A number of important agreements, rules, and other normative documents related to passenger transport have been drawn up and accepted.

For example, the railroad administrations of the Commonwealth member states, the Latvian Republic, the Lithuanian Republic, and the Estonian Republic, on 15 October 1993, concluded a Provisional Agreement on the Transport of Passengers, Baggage, and Passenger-Train Freight by Railroads in interstate service. It established that the fixing and canceling, change in service frequency and systems of making up passenger trains in service between these states be implemented in accordance with the appropriate railroad administrations. The parties do not hinder the throughput of trains to third countries, nor the appointment of passenger trains from the stocks of railroads not specified by the traffic schedule.

Passengers, baggage, and passenger-train baggage are transported in accordance with the Rules, which are attached to the Agreement, the base tariffs, and the approved forms of transport documents. The railroad administrations inform the railroads of the Agreement members of the indexing of the base tariff well in advance (no later than 10 days before). The Rules for Transport set forth in detail the conditions for passenger travel, the procedure for establishing the forms of the travel documents, their filling in and sale, the periods of validity, the application of privileges for travel for individual categories of passengers, the issuing of bedding, etc. The conditions for transport of hand baggage, baggage, and passenger-train baggage are determined, and transport in leased and service trains, liability, and control of transport are regulated. Settlements between railroads are made in accordance with the appendix to the Agreement—the Procedure for Settlements for the Transport of Passengers, Baggage, and Passenger-Train Baggage.

Passenger transport in international service, through the territory of foreign states and from the Commonwealth member states, including rail transit along the railroads of the Latvian Republic, the Lithuanian Republic, and the Estonian Republic, is carried out under the conditions of the international agreements, rules, and tariffs in force.

In order to ensure the proper technical condition of passenger cars and traffic safety in interstate service, the railroad administrations, on 15 October 1993, concluded an Agreement on Using Passenger Cars and Material Responsibility of the Railroads for Failure To Ensure Safe Travel for Passenger Trains. The Agreement establishes the basic principles of using passenger cars in interstate service, descriptions of the cars permitted for circulation in this type of service, and the rules for eliminating passenger cars from trains en route.

The conditions for technical service and repair of railcars and the material responsibility for failure to ensure guaranteed travel of passenger trains of their own make-up to the turn-around point and back were determined. It was established that, in order to ensure a unified technical policy and maintain the railcars in good working condition, the existing normative acts, standards, rules, instructions, technical conditions for construction, repair, modernization, and technical service of passenger cars would be retained. These documents regulate the work of the railroads in the sphere of safety in the movement of trains, passengers, and service personnel, while adhering to the internal legislation of each state, unless it touches on the interests of another state. The Agreement sets forth the procedure for action by the railroad administrations in wrecks, accidents, and other events, and establishes the responsibility for their consequences.

The Council approved the unified Rules for recording and transmitting information on vacant seats and those being vacated in passenger trains in interstate service. This document establishes the methods and organization of recording seats on trains in accordance with the approved technological processes of the work. It determines the procedure for ascertaining vacant seats on trains because of no-show passengers, and for recording vacant seats and those being vacated in the railcars. The preparation and transmission by the train chief of information on vacant seats, and monitoring the correctness of recording and transmitting this information and the conditions for storing documents related to recording the seats are regulated.

On 21 January 1994, the railroad administrations concluded an Agreement on economic responsibility for carrying ticketless passengers and failure to turn over for sale seats on passenger trains in interstate service. The Agreement establishes the procedure that train crews of one railroad are to take on the territory of another when filling out the documents on cases of carrying ticketless passengers, deliberate concealment from a railcar owner of the sale of vacant seats by the train crews, and deliberate or unintentional concealment of the sale of vacant seats on the road, which has resulted or might result in the railcar traveling with vacant seats along the territory of another road.

Written statements on blank forms for obligatory reporting, compiled by the workers checking the road's trains, are the basis for economic responsibility. For each vacant seat concealed from sale, the railroad administration of the road whose fault it is that this happened compensates the railroad administration of the train's (railcar's) road of travel in a sum amounting to the tariff for travel from the border station of the road of travel or from the station where the seat was vacated to the final station of travel for the train (if it is within the limits of the road being checked) or to the exit border station (if the station of destination is located beyond the limits of the road being checked), and the road of formation is compensated the value of the seat ticket.

The railroad administrations of the Commonwealth member states and the Baltic countries, recognizing the effectiveness of the existing interstate automated passenger transport control system—the Express-2 ASU—and the need to maintain unified technological devices, on 21 January 1994 concluded an Agreement on joint operation of this system. At the same time, the right of the railroad administrations to create independent automated systems on their own railroads was recognized. The interstate control system should operate with unified software. Intrastate systems can either function by using the software of the Express-2 system or can constitute an individual national system, linking with Express-2. Introducing any new tasks worked out in non-centralized fashion into national systems should not disturb the functioning of the interstate Express-2 ASU. A permanent work group, made up of specialists from the railroad administrations, has been set up for timely solving of organizational, technical, technological, and programming problems in the further development of the Express-2 ASU.

The Council on Railroad Transport approved the Statute on the Name Train in Interstate Passenger Service, which stipulates a higher level of passenger service en route. The Statute sets forth the requirements for a name train, including preparing the stock for the run and organizing the boarding of passengers, requirements for service personnel, intratrain communication, information in the saloon cars, the equipment of the car, the services offered, and the conditions for a passenger's stay in the car. The organization of catering for passengers en route, the procedure for certifying the train, its monitoring, and deprivation of the category of name train are also regulated. The Board of Directors of the Council confers the train with this category upon a written statement from the railroad administration and receipt of the agreement of other participating railroad administrations after it has been completely checked. A name train has an individual name and emblem (symbol). The title of the name train is indicated on the outer side wall of the car or the route board of the train's travel, in national and Russian languages or only in the Russian language.

The data given in Table 3 characterizes the passenger transport volume on the railroads of the Commonwealth Member States.

Table 3. Passenger Transport on Railroads of the Commonwealth Member States

Railroads	Passengers dispatched, million persons			1994 in percentage of 1993
	1992	1993	1994	
Azerbaijani	11.9	8.9	9.5	106.8
Armenian	2.9	2.9	3.5	120.1
Belarusian	156.3	182.7	161.5	88.5
Georgian	7.6	8.0	9.8	121.3
Kazakhstani	36.7	41.2	36.7	89.1
Kyrgyzstani	1.5	2.1	1.1	50.5
Moldovan	14.9	13.5	11.3	83.9
Russian	2,372.3	2,323.5	2,062.0	88.7
Tajikistan State	0.7	1.0	0.7	73.6
Turkmenistani	5.9	4.9	4.8	97.9
Uzbekistani	18.9	19.0	22.4	117.5
Ukrainian	558.2	533.9	621.1	116.3
Total for Commonwealth	3,187.8	3,141.6	2,944.4	93.7

Because of the increasing frequency of illegal acts at railroad transport facilities by outsiders, at the suggestion of the Council on Railroad Transport, the Council of the Heads of Governments passed a Resolution on Measures To Ensure the Safety of Passengers, Freight, Rolling Stock, and Train Crews on Railroads of the Commonwealth Member States. The resolution established that the existing normative acts, standards, technical conditions, and technology regulating the work of railroad transport in ensuring safety in the movement of trains, passengers, and service personnel is to be retained.

The Council of Heads of Governments instructed the Ministries of Internal Affairs, in conjunction with other ministries and departments and other railroad transport administrations of the Commonwealth states, to accelerate the finalizing (drawing up), examination, and adoption by the appropriate organs of drafts of legislative and normative acts to reinforce law and order on railroad transport, and to prepare proposals on introducing additions and amendments, in the existing legislation, on putting order into the work of the trade, entertainment, and cultural-everyday enterprises and organizations, cooperatives, and commercial structures at railroad facilities. It was also stipulated that special police sub-units be created to accompany passenger and suburban trains, that the procedure for police-detail escort of passenger trains be determined, and that joint measures be worked out to prevent and stop vandalism, damage to locomotive and railcar equipment, and other law violations that create a threat to the safety of the passengers and railroad transport workers, as well as to train traffic safety.

The directors of the railroad administrations and sectorial trade union centers signed, on 4 June 1993, an agreement on working out, at the sectorial level, unified principles for solving problems related to the conditions and labor safety practices of railroad workers. At the same time, an agreement was reached to retain, on the railroads of the states, the force of the sectorial norms, standards, rules, statutes, and standard instructions of the USSR MPS and Central Trade Union Committee, unless they conflicted with the documents of a republic. Recommendations on organizing special investigation of production accidents involving railroad workers performing work during a trip when they were outside the limits of the state of residence were approved.

The Council on Railroad Transport retained the existing procedure for issuing the railroad transport workers of the Commonwealth member states, the Lithuanian Republic, and the Estonian Republic official tickets and tickets for personal needs for travel in interstate service along the railroads of these countries. The railroad administrations decided to retain the highest professional award, the badge for "Honored Railroad Worker," with all the established benefits conferred by the awarding of this badge, to reward the most outstanding workers. Considering the important role the newspaper GUDOK and the all-sectorial journals ZHELEZNODOROZHNYY TRANSPORT and ZHELEZNYYE DOROGI MIRA have played in covering and solving economic, scientific-technical, and practical problems of operating and developing railroad transport, it was decided to support these publications in taking subscriptions and financing.

At the ninth meeting (10 December 1994), the Council passed a resolution for wide-scale development of work to prepare for the celebration of Victory in World War II.

State Support for the Railroads

The Council of Heads of Governments, having considered the report of the Council on Railroad Transport, on 9 December 1994 passed a Resolution on Measures To Improve the Work of the Railroads of the Commonwealth Member States. It includes a number of important urgent measures aimed at stabilizing the operation, economy, and technical base of the railroads.

Particularly important is the decision on drawing up in the Commonwealth member states, in the first quarter of 1995, programs of state support for railroads to keep their technical devices in efficient working condition and to use the available repair base for rolling stock, in order to fully ensure the fulfillment of planned types of repair, as well as to carry out the Agreement on Cooperation in Re-Equipping and Updating Railroad Rolling Stock, of 9 September 1994. These programs pertain mainly to freight and passenger cars, locomotives and motor-car rolling stock, railroad tracks and track equipment, the contact-wire system, electric power supply devices, STsB [signalization, centralization, and blocking], and communications.

To accelerate the moving of passenger trains in interstate service, the railroad administrations and border and customs organs of the Commonwealth member states must correct the procedure for border control and customs inspection of passenger trains at border crossings, including through organizing joint inspection at one point or inspection when the train is moving. The passenger train traffic schedule is to be corrected in accordance with the results of this work.

The Ministries of Internal Affairs of the Commonwealth member states, in conjunction with the concerned organs of state control, are charged with examining the course of fulfillment of the Resolution on Measures To Ensure the Safety of Passengers, Freight, Rolling Stock, and Train Crews on the Railroads of the Commonwealth Member States, passed in September 1993 by the Council of Heads of Government, and with doing everything necessary to carry it out fully.

The Ministries of Economics and Finance and the railroad administrations of the Commonwealth member states, in conjunction with concerned organs of state administration, are charged with examining the state of clearing accounts for transport by rail, the use of rolling stock and other work and services in interstate service on railroad transport, and with taking measures to eliminate any delays permitted. Individual commissions were also given to the Council on Railroad Transport to prepare proposals on problems of clearing accounts and improving the tariff policy in interstate service.

These proposals were prepared and have already been examined by the Council of Heads of Governments on 10 February 1995, and by its decision, the Council on Railroad Transport was charged with continuing work on maintaining a unified coordinated tariff area on the basis of the transport market conditions which had formed, and also on the basis of the economic interests of the railroads of the Commonwealth states. With respect to the question of eliminating the indebtedness permitted and stabilizing settlements among the railroad administrations, they were instructed to continue clearing off the debt through compensation operations, based on the existing level of prices for the products offered and the market conditions, as well as on the conversion of national currency in the amounts of the existing debts, through the existing system of freight agencies. The Ministries of Finance of the Commonwealth states whose railroad administrations remain in debt to the railroad administrations of other states for transport, services, and other work, however, should be allocated target-oriented funds in 1995 to clear off the debts. It is proposed that the national (central) banks of the states ensure unimpeded transfer of the payments due to the accounts of the railroad administrations.

In accordance with a resolution passed on 9 December 1994, the appropriate organs and organizations of the Commonwealth member states must organize priority supply of fuel-power resources, oil and lubricants for railroad transport, allotting them a separate line in the fuel balances, with guaranteed quantitative regulation and licensing. The Council of Heads of Governments took cognizance of the fact that the Commonwealth member states are implementing the necessary measures to ensure unimpeded movement through their territories of trains in interstate service, and are not permitting unauthorized persons to interfere in the work of the railroads.

The Council of Heads of Governments, by an individual resolution of 9 December 1994, approved the Plan for measures to perform work on the Veseloye Station Section of the RF North Caucasus Railroad to the Samtredina Station of the Georgian Railroad to restore through traffic, which was prepared with the participation of the Council on Railroad Transport. The parties concerned must work directly on practical realization of this plan.

The Council on Railroad Transport drew up a Plan of Measures To Fulfill the Decisions of the Council of Heads of Governments, of 9 December 1994. These decisions must, of course, be put into effect in order to improve the work of the railroads.

In conclusion, it should be particularly emphasized that coordinating railroad transport work at the interstate level will actively contribute to ensuring and strengthening the economic relations of the Commonwealth member states.

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*Implementation of Automated Land Registry System Explained

954E1134A Moscow ZEMLYA I LYUDI in Russian 2 Jun 95 No 22, p 3

[Article by G. Tugarinova: "Land Likes To Be Accounted For"]

[FBIS Translated Text]**LARIS, the Project Involving Introducing the Automated Government System of Land Registry Begins**

This project represents part of a federal program for creation of a unified automated government land registry system. In the first four oblasts—Moscow, Nizhegorod, Perm, and Samara Oblasts (three rayons were selected in each one), work is starting on implementing the project, which is so highly needed by Russians, despite its foreign "roots." This stage will last one year, and then a determination will be made on how appropriate the project appears to be and its adaptability to Russian conditions; as everyone knows, so far the project does not have real monetary backing.

In the Russian Federation agricultural land covers 0.22 billion hectares. The introduction of private ownership of land confronts the government with the task of ensuring its legal protection. The mechanism for protecting the rights of the owners of land and other real estate is based on the system of the government land registry, the principal component of which is the system of registration of the right to own land, which in turn, ensures the collection of taxes.

At the present time there are about 50 million land owners in Russia. Their further increase will sharply expand the number of various operations with land, which include its purchase and sale, leasing, mortgaging, and inheritance. All of this makes the creation of a land registry system very urgent.

The LARIS project consists of four elements ensuring the introduction of this system. The first one entails the introduction of automated complexes of the land registry system. The second component is data—the implementation of modern techniques of registration. The third one consists of training specialists and consultative backup. The fourth one is the creation and work of a special group for implementing the project, which coordinates and manages work on implementing the registry system.

The goal of the LARIS project is the introduction of an automated system on part of the territory of Russia which would ensure adequate conditions for government organs, legal, and physical bodies for the implementation and protection of the rights of ownership of land, for activity of land courts, and for creation of an effective system of taxation. The territory covered by the project will ensure collection of the land tax and tax on real property, effective control over the functioning of the land market, rational planning of the development of territories, and maintenance of government accounting of land areas.

Like any civilized project, this one considers the interests of the citizens. Its implementation will bring them confidence in the right to own land confirmed by a legally executed document, tied in with the situation in the area, while guaranteeing state protection in the preservation of the right to own land and security of long-term ownership of land. This in turn will diminish the number of conflicts connected with land ownership. It also simplifies the conduct of transactions ensuring the transfer of land from one owner to another and makes possible the mortgaging of land to obtain loans.

The training of specialists will be carried out at the State University of Land Development, the Russian Center for Scientific Support of the Land Reform (RosNITs"Zemlya"), and Roszemkadastrsyemka. Local organs of Roskozem have also been involved in oblasts and rayons. LARIS is being implemented at the expense of a World Bank loan in the amount of $80 million and Russian funds from the federal and oblast budgets equal to $35 million.

*Great Increase in Land Allotment Abuses Since 1991 Detailed

954E1134B Moscow TRUD in Russian 21 Jun 95 p 3

[Article by L. Yuryeva: "Nefarious Redistribution or How Russian Land Is Being Pilfered"]

[FBIS Translated Text] **In the more than 70 years of Soviet power, some 4.6 million hectares of land was allotted to the population for use as private kitchen-gardens and for individual housing construction while over the last four years an additional 24.6 million hectares have been allotted. As they say, there is room to stretch. That is why the amount of abuses and machinations with land increased at approximately the same rate.**

In 1994 the Goszemkontrol [state land control] of Russia discovered 125,000 violations of land legislation on an area of 5,037 hectares, while in 1993 there were 74,000 cases on an area of 1,807 thousand hectares. Empowered organs, Goszemkontrol, and other "supervisory" agencies are unanimous in designating the current situation "on the Russian field" as anarchy in a legal vacuum.

It turns out that in order to get the "cherished plot" fellow countrymen do not have to languish standing in line or present a local official with a nice round sum. According to current legislation a land plot can be allotted (under certain conditions) even by the director of a commercial bank.

The mechanism is simple. A commercial bank makes a small change in its charter to the effect that, in addition to financial operations, the basis of its activity is also the output of agricultural production. In other words it acquires a subsidiary plot. In such a case there is no need for it to seek permission to acquire land, let us say, from the oblast administration because after the repeal of the moratorium on the sale of land, there are no restrictions left in legislation except for a prohibition forbidding arbitrary changes in the purpose for which it is used (for instance, cultivation of Christmas trees instead of potatoes). Then this commercial structure purchases land on a completely legal basis, let us say, from a farmer, an auction society, or a kolkhoz-sovkhoz.

After that everything becomes really simple. Any legal body (in our case a commercial bank director) can allot a plot as an allotment going with a job or for use as a vegetable garden to any of the workers. After receiving his legal plot that individual immediately begins making improvements: erects a cottage, a covered swimming pool, a bathhouse, etc. He might even build a personal bomb shelter or, for instance, a house to rent.

Of course, that is illegal and is categorized by the Civil Code of the Russian Federation as arbitrary construction, but the folks do not have to worry: no one will bulldoze the illegal structure and take away the land. Inasmuch as citizen judges have a little prompt contained in Point 3, Article 222 of the Civil Code of the Russian Federation: "the right of ownership of an arbitrarily erected structure may be recognized by a court as belonging to the person who carried out the construction on a land plot not belonging to him on the condition that the given plot will be granted the given individual under the constructed structure." Nikolay Kalinin, head of the Roskomzem administration for control over utilization and protection of land, stated that he has no knowledge of a single court decision ordering the removal of such illegal structures. More than that, law enforcement agencies have lately been very loyal in following violations of land legislation. In 1993, for instance, investigative organs handled 362 cases on land, and arbitration and other courts had 1,591 cases, whereas in 1994, 269 and 472 cases, respectively, were handled. At the same time Goskomzemkontrol alone revealed 800 such cases in 1994.

As a rule the cases never reach court. A person gets by with a simple fine for arbitrary construction, which for physical bodies amounts to from 5 to 15 times the minimum wage, and for legal bodies it is 6 to 20 times the minimum wage. This, quite understandably, is petty cash for those who build multiple-story housing. Even in these cases it is possible to circumvent the law by declaring insolvency. In 1994, out of the 56 billion rubles [R] in accumulated fines imposed for violation of land legislation, it was possible to collect only R9.3 billion.

At the same time all of these innovations apply to foreigners as well. An Englishman from below London or an Italian from Rome, of course, is hardly going to purchase a plot with a cottage in Podmoskovye, inasmuch as our prices are higher than the average in the vicinity of the capitals abroad by a factor of 1.8. To the wealthy residents of the near abroad, however, Russian land appears highly attractive. In order to be convinced of this, it is sufficient to travel 20 or 30 kilometers outside of Moscow. A settlement like that has recently been built on an area of 18 hectares in the nearby Ramenskiy Rayon of Podmoskovye. According to Nikolay Kalinin, however, they exist in many major regions throughout the territory of the Russian Federation, and as a rule, they are on good quality land with the necessary infrastructure.

Perhaps it is better to sell land to foreigners, obtaining a substantial income for the meager local budget than to grow goosefoot and bristle thistle. After all, vast areas in Russia are today simply abandoned and unused. In Khabarovsk Kray, for instance, every second farmer (52 percent of them) is not working his land; in the Novgorod Oblast 38.7 percent of the land allocated for use as subsidiary plots by various enterprises and establishments is not utilized. The leading positions in the Russian Federation in possession of abandoned plots are held by Moscow (28.8 percent) and Saratov (33.3 percent) Oblasts. In addition to that, Goszemkontrol of Russia discovered 400 peasant farms (on an area of 140,300 hectares) which were illegally organized by leading workers and government employees. There is an especially large number of such "appanage landowners" in Nizhgorod Oblast—61; in Kaluga Oblast—40; in Orlov Oblast—40, in Udmurtia—390; in Bashkortostan—35; and others.

Those citizens who do not have astronomical sums and do not work at a commercial bank, generally speaking, cannot utilize those variants which were mentioned. They frequently just take a plot of land. According to Nikolay Kalinin, next to the utilization of agricultural land not for its designated purpose, this is the most widespread type of violation of the land law (both with regard to area and the number of cases). In 1994 these violations were detected on almost 123,000 hectares of checked areas.

Who stands to gain from this legal vacuum? Why does Russia still not have a land code, a basic document which would halt the crude and unceremonious pilfering? In the opinion of the head of the Roskomzem administration for control and protection of land, such a situation suits all "sides" and political forces. He believes that the parties are now "acquiring property." What can ensure prosperous life even if one does not come to power? Land, of course.

While condemning the president, who allowed land allotments to be leased, some people's deputies are successfully gaining some nice capital in this business. In the Krasnodar Kray, for example, one of those elected by the people annually receives 110 kilograms of granulated sugar, 80 kilograms of sunflower oil, 200 kilograms of potatoes, and other products as his share of the joint-stock company. We must add that these figures have to be multiplied by six since this pushy people's deputy, in addition to the three shares allotted for his family, purchased three more from his neighbors.

A land market appeared with the elimination of the moratorium on the purchase and sale of land in Russia. In the Podolsk and Ramensk Rayons of Moscow Oblast, for instance, at the present time an average of 100 land-plot purchase-sale transactions occur daily, along with giving of land as a gift and its inheritance. The moratorium was repealed, and at present legislation contains no restrictions at all with the exception of the indicated prohibition against arbitrarily changing the purpose for which the land is used (which can be successfully circumvented). Still, why are we not making the land market a civilized one?

In the opinion of Kalinin, revenue from the sale of land plots that were privately owned for less than five years must be subject to progressive taxation. The sale of land owned in common by members of agricultural enterprises must take place only with the agreement of all shareholders and not on orders of the management. Municipal and government land must be sold only by competitive bidding or at auctions and not on the decision of the head of the local administration. Furthermore, the right to alter the purpose for which the land is used must be possessed by the Russian Federation subject and not by organs of local self-government. So far, however, Roskomzem was unable to find a "common viewpoint" with regard to these proposals in either Parliament or the government.

At a recent session, the State Duma reconsidered the Land Code yet again. It is easy to guess that Gaydar and Zyugan supporters voted unanimously against it, even though, it appears, for diametrically opposite reasons. The former are opposed to the moratorium on the sale of land (it is included in the draft), while the latter, on the contrary, are against allowing the sale of land. According to the predictions of Nikolay Kalinin, who has already encountered the fact that the situation with debates around the Land Code in Khasbulatov's Supreme Council of the Russian Federation is a veiled form of self-seeking behavior, the current Duma members will most likely not act on the Land Code. In the new State Duma, however, the distribution of forces will change and this document could very well end up "in the wastebasket."

At the same time the various regions are going their own way. Some 14 of the Russian oblasts have already adopted or are preparing to adopt their own land codes. The law on land in Tula Oblast, for instance, is written in "the spirit of the market" (buying-selling, mortgaging of land, etc.), while in Voronezh Oblast nothing of that sort is permitted. In Sverdlovsk Oblast there are even more restrictions; let us say, contrary to the presidential decree, it is not permitted to buy out for private ownership the land on which enterprises stand even during privatization.

In other words, to each his own. With the absence of common government approaches to the land question, the game on the land market according to local rules is tantamount to a game without any rules at all.

National Affairs

Marchuk Operating Style Analyzed

954F2588A Kiev NEZAVISIMOST in Russian 16 Jun 95 pp 1, 6

[Article by Vyacheslav Pikhovshek, Ukrainian Independent Center for Political Studies: "'The Ukrainian Prime Minister Must Have a Cool Mind, Warm Heart, and Clean Hands....'"]

[FBIS Translated Excerpts] Following the "two-time" V. Masol, "one-time" V. Fokin and Yu. Zvyahilskyy, and the current president, for whom the position of prime minister became the trampoline for a powerful political rise, the appointment of Yevheniy Kirillovich Marchuk as Ukrainian prime minister signals a new stage in the history of Ukraine. For the first time, if we discount the modern political activity of Eduard Shevardnadze and Geydar Aliyev, who came to occupy the highest state positions in the political system of the Soviet Union after holding the KGB leadership of their republics, one of the highest state posts has been assumed by a former high-ranking head of the KGB. This alone would compel one to delve more thoroughly into the political career of Yevheniy Marchuk, as well as into his ability to exert a definite influence upon political figures elected to the highest state positions.

People prefer not to talk about Ye. Marchuk, and if they do talk about him they do so guardedly, with a glance over their shoulder. This alone testifies to the fact that he commands respect. Responding to a journalist's question one day about the "lie detector," Marchuk noted that "no detector can predict the transformation of someone's personality over time." The events of recent years testify to some extent to a transformation of the new prime minister's personality.

[passage omitted] The rise of Marchuk's career outside secret- police work began not long before the "Kryuchkov-Yanayev" putsch. As of 5 June 1991, Ye. Marchuk became state minister of Ukraine on matters of defense, national security, and emergency situations, with all the enforcement departments being officially under his jurisdiction. Then came the "Chekist maneuver," evoking many questions at that time in Ukraine and abroad, when on 20 September 1991, Ukrainian SSR KGB chief Nikolay Golushko was appointed by edict of President Yeltsin as chairman of the Russian Security Ministry—not yet divided at that time into FSK [Federal Counterintelligence Service] and SVR [Foreign Intelligence Service]. Then on 14 November that same year, 25 days following official establishment of the SBU [Ukrainian Security Service], Ye. Marchuk left the Ukrainian Cabinet of Ministers for the post of SBU chairman, where he was awarded the highest flag rank. There exists a great deal of evidence that the collapse of the "first putsch" and transfer of N. Golushko to Moscow placed the Ukrainian special services in a fairly difficult predicament. On the one hand, people the former KGB once worked against, carrying out operations in which Golushko took pride ("Boomerang," for example, where they tried to "nail" dissidents as well), had now become legislators. On the other hand, memories of the seizure of Stasi buildings in the GDR, crowds of demonstrators at Lubyanka, the banning of the Communist Party of the Soviet Union, and M. Gorbachev's departure into "unconsciousness"—were still quite fresh in people's minds. There followed the announcement, somewhat placating to the intelligentsia, that "the KGB would never fight against the people." Then the KGB leadership embarked upon a cleansing of cadre. A Supreme Council commission was established dealing with personnel matters for the special services. People's deputies participating in its work attest that about 18 generals and other senior officers of the former KGB were discharged. The crowning achievement of this effort was the adoption of laws regulating SBU activity.

The facts show that the SBU leadership during Ye. Marchuk's time chose tactics of "operations without abrupt movement." There were more than enough meaningful hints in the press of the variety "we are carefully watching what is going on," but virtually no one was able to catch the SBU in the commission of any antidemocratic action. It is his ability to take the probabilities into account, knowledge of foreign languages, and ability to communicate with the most diverse participants in political scuffles in Ukraine that most likely determined the reputation of Ye. Marchuk as a liberal who reasons out his actions. The former SBU chief "knocked aside" accusations and attacks of inactivity by parliamentary radicals using the argument that "the person against whom special-service activity is employed might become a hero for some group or another," and just eight votes were cast against him in the previous Supreme Council in confirmation of his candidacy to the post of SBU chairman. It is interesting that People's Deputy A. Yemets was once a Marchuk rival, but he failed to amass the necessary number of votes following the "fiery speech" of Stepan Khmara—who stated that "A. Yemets was too restrained in his defense" of Stepan Ilkovich during the "Grigoryev vs. Khmara" affair.

The official record shows that in May 1993 the SBU chairman worked to smooth over the conflict between ex-Procurator General M. Potebenko and G. Omelchenko, who had begun putting statements in the press. A little while later, in July 1993, Marchuk fulfilled a diplomatic mission in the Dniester Region, and also got involved in the intricate conflict between the executive committee of the Ukrainian Officers' Union and the Main Military Counterintelligence Directorate. In September 1993, Ye. Marchuk became a member of the Ukrainian National Security Council. He began working on the problem of Crimea virtually immediately following the escalation of political events on the peninsula, and stayed with it even after the presidential election (the official record indicates barely a word regarding his activity right before and during the election). Since October of last year he has headed a working group established by the new president, who gave Marchuk "the Crimean problem" after it was handled over a certain period of time by A. Razumkov, head of the group of assistants to the president. In January 1995, Yevheniy Kirillovich headed the Coordinating Committee for the Fight Against Corruption and Organized Crime. Interestingly, it is precisely at this time that he begins to be seen in Moscow as one of just a few Ukrainian leaders who should be considered seriously. During his visit to Sevastopol, Konstantin Zatulin, chairman of the Russian State Duma Committee on Foreign Affairs and Ties With Fellow Countrymen Abroad, referred to Ye. Marchuk as "the designer of conflict between branches of authority in Crimea."

The history of relations between Ye. Marchuk and L. Kuchma is not very lengthy—it can be recorded as of 24 March 1991, when L. Kuchma became a member of the Supreme Council Commission on Matters of Defense and State Security.

The rise of Ye. Marchuk's political career following L. Kuchma's victory is fairly interesting, insofar as many observers believed at that time that he would join the ranks of retirees from the special services. Apparently, however, too great was the impression that over four years of leadership of the special service, Ye. Marchuk not once became an object of specific criticism. Nor could he be "fingered" with the problems involving export of millions of dollars of production output from Ukraine, although such attempts were in fact undertaken. How and why this took place is a subject of separate discussion. In the present instance something else is significant—Ye. Marchuk joined the entourage of Prime Minister L. Kuchma and the entourage of President L. Kuchma, and as a result obtained two new appointments: first that of first deputy prime minister, then—of acting prime minister.

Many of those who worked previously with Ye. Marchuk in the National Security Council of L. Kravchuk's time note that he was an adherent of the "quiet" method of resolving acute political issues, a method he himself terms "laboratory analysis." Yevheniy Kirillovich acknowledges this, incidentally, in an analysis of the Crimean problem in one of his published statements in the press.

There is therefore nothing particularly surprising in the fact that after a certain period of time, Ye. Marchuk, perhaps despite his desires, is becoming one of the chief political figures on whom the National Democrats are relying. On 5 April 1995, Rukh leader V. Chornovil stated that "he saw no real alternative to Ye. Marchuk in the position of Ukrainian prime minister."

Marchuk is intensifying his foreign policy activity as well. At the international conference "A Window to Ukraine," at which leaders of British industry interested in investments in Ukraine were gathered, Yevheniy Kirillovich stated that "knowing the relatively exhaustive nature of development of Ukraine from the economic, and especially the political point of view, I can stake my reputation on the fact that the situation in Ukraine....will develop in a progressive direction."

Appointed deputy prime minister by L. Kravchuk, Marchuk was able to prove the need for his presence in the government to the new president as well, receiving in August 1994 the prefix "first" and sharing spheres of influence with V. Shmarov. Just about everybody predicted the rise of Ye. Marchuk following the obvious successes of the Ukrainian-Russian talks. The question inevitably came up, however, as to what specific rise might be involved and what precisely would be the justification.

The concentration of power in the hands of Ye. Marchuk is already an accomplished fact, but the prime minister's influence on the president is being counterbalanced by that of other politicians close to L. Kuchma. Therefore, an analysis of Yevheniy Kirillovich's activity would be substantively incomplete without taking into account the activity of three other, no less powerful leaders, one of whom is Vladimir Pavlovich Gorbulin, adviser to the president on national security affairs and secretary of Ukraine's National Security Council.

Anyone attempting to delve into the intricacies of the relationship between National Security Council members—the secretary of Ukraine's National Security Council, and the acting prime minister who worked in state security organs his entire life— will not find it easy. And not only because this kind of information rarely comes into the domain of the press. Information "leaked" from the upper echelons of the Ukrainian authority should be treated with extreme care—altogether too often journalists are "fed" certain information that is actively used for purposes having nothing to do with journalism.

Many observers analyzing the development of relations between V. Gorbulin and Ye. Marchuk consider the latter's greater experience working with macro-social systems to be an indisputable plus. Ye. Marchuk headed a state structure with a large number of employees, and consequently has a great deal of work experience in the management of such systems. Other observers note the fact that on 22 October 1994, Vladimir Gorbulin was appointed by presidential edict as chairman of the expert review board of the newly established Fund in Support of National Security Studies, while Yevheniy Marchuk was appointed chairman of the oversight council of this fund. It was then becoming clear that the balancing process with respect to authority of V. Gorbulin and Ye. Marchuk had entered a certain phase of definition. Yet another circumstance unites these two individuals—winning moments have come to both not all that frequently; both have had times of upward surge as well as relative failure. However, to evaluate their relationship simply as a certain kind of competition, a struggle for influence on the president's policies, would seem to be a gross oversimplification.

On the one hand, the jurisdictional boundaries between Ye. Marchuk and V. Gorbulin are today fairly well defined. Marchuk's jurisdiction encompasses leadership of the Ukrainian Government, while Gorbulin's entails directorship of the National Security Council and coordination of its activities with those of the enforcement structures. From this point of view, the planes of intersection of activity of the two are not confrontational in nature. Marchuk's rise in position may alter this balance of forces, however.

Up until now, Marchuk's political career appeared to be an entirely logical rise, directly related to his previous work. Even the purely diplomatic activity of the first deputy prime minister was in no way different from his previously adopted tactics of "behind-the-scenes diplomacy," his ability to "keep dirty linen out of the public eye," ability to reach agreement, to play the odds, and to skillfully select and "push through" his own cadre alignment.

Marchuk's candidacy for the office of prime minister was cited repeatedly as one of the possible alternatives, but up until the last moment this was somewhat difficult to believe, insofar as it is clear that the head of government, in our present stage, is a thankless job—price hikes being inevitable and responsibility in this regard being laid directly on the prime minister. Yevheniy Kirillovich's "coming out of the shadows" marks a definite turning point in his destiny, in view of the fact that he has always shown preference for a less public "resolution of the issue." Agreeing to become acting prime minister, he was obliged to take these circumstances into account.

No less interesting is the motivation behind President L. Kuchma's selection. On the one hand, it is impossible to doubt that this move in the "game of muscle-flexing" was an entirely logical one following the president's statement on the "role of Pinochet" in Tbilisi, the head of the administration's "Kiev clarification" of this situation, and the signing of the Constitutional Agreement. President L. Kuchma's move is most likely aimed at achieving several objectives. Ye. Marchuk is placed in a position where he makes the unpopular governmental decisions, being responsible as head of the government.

It is entirely likely that the president will use the hands of Ye. Marchuk to purge the Cabinet of Ministers of lobbyist groupings, a prospect which is supported by statements of the prime minister himself to the effect that "we have many problems with discipline—I am not referring to boorishness, but to that discipline in duty performance which would keep the executive authority in proper shape, enabling it to carry out adopted decisions; ....I am referring only to the acceptance of personal responsibility for failure to execute one's duty obligations."

All of this would be possible and even fairly probable were it not for one "but"—the prime minister's prior experience, especially his ability to take the probabilities into account and find ways to escape certain situations where other politicians "shoot themselves in the foot." Around Ye. Marchuk, relatively well-fed wolves manage to live in harmony with somewhat nibbled-on—but quite alive—sheep. We know that there was no unanimity of view in the circle of the president's administration with respect to Marchuk's "move" to placement in the first row of Ukrainian political figures. And indeed, Marchuk himself in no way made an immediate decision. Yet it is hardly likely that Yevheniy Kirillovich would simply consent to the role of "whipping boy," receiving blows from the body of deputies on the occasion of the next "harvesting campaign" or "winter-summer" period. We do know that he accepted L. Kuchma's proposal on the prime ministership after linking his agreement to a number of conditions. Moreover, every step in his political career up to this point appears to be plotted on a curve slowly but steadily creeping upward, a situation Ye. Marchuk himself would hardly be able to change. We recall that the position of prime minister served as a trampoline for the current president to his present office.

In this regard, the words of Ye. Marchuk on "a new technology of reforms" and quiet "laboratory analysis" merit special attention. What stands behind them? The ability to find a common language with the parliament and its speaker, so as to avert a new crisis of power reminiscent of the lingering Moscow crisis? Substantive personnel changes? A realignment of reforms? This will soon become clear. It is clear now, however, that in radically altering the political situation overall, the inclusion of Ye. Marchuk in the disposition of forces on the political Mt. Olympus will force many politicians to take up a firm stance, to examine their careers in conjunction with the tremendous number of problems that will have to be resolved.

Poll on Attitudes Toward Regional Autonomy

954K0626A Kiev DEMOKRATYCHNA UKRAYINA in Ukrainian 17 Jun 95 p 1

[Article by Candidate of Historical Sciences Oleksandr Stehniy, chief research associate of SOTSIS-Gallup, under the rubric "Probe": "The Future System of Ukraine. What Is It To Be?"]

[FBIS Translated Text] In May, the SOTSIS sociological service in Ukraine took yet another survey of the Omnibus series. A total of 1,200 respondents from all regions of Ukraine whose age, gender, educational level, and type of settlement are representative of the adult population of Ukraine were polled. The average statistical deviation comes to 3 percent (that is to say, the results obtained can range from minus 3 to plus 3 percent.

Is a united independent Ukraine to be or not to be? At present, this question no longer appears as rhetorical as a few years ago, especially after the declaration of independence. The survey taken confirms the fact that our citizens hold differing views of the future system in Ukraine. There are two aspects to the issue raised—external and internal.

The external aspect has become more topical due to the course of events in neighboring Belarus following a referendum on integration with Russia which was held there. Research indicates that the population of Ukraine has actually split into two main groups: those who support independence and those who see the country's future in being an integral part of another state entity. In particular, 38 percent of the respondents came out in favor of the existence of an independent united state; another 6 percent support the concept of a federated state with individual regions being autonomous. At the same time, one-third of those polled have a favorable attitude toward Ukraine becoming unified with CIS states in a federation. At the same time, one in five respondents is attuned to a union of Ukraine and Russia within one state. There can be no real political independence without economic autonomy. However, two fundamentally different ways out exist in this instance: to eliminate political independence (as proposed by Ukrainian Communists who advance, together with other left-wingers, the slogan "Back to the Union") or economic integration in the form of bilateral and multilateral agreements with the former Soviet republics without political unification. Understandably, the first scenario is radical (if the patient is dead then there is no one to be treated). However, the truly urgent task of all national-democratic forces in Ukraine is to preserve the state and to overcome the crisis.

The issue of the unitary nature of the Ukrainian state also has an internal aspect which is due to complications in relations between the central echelon and the regions. Let us note right away that at issue are certain regions only. Which ones? According to the survey taken, the behavior of the Crimean parliament gives rise to the greatest concern. An overwhelming majority of those polled (55 percent) believe that the Crimea indeed has the greatest desire to separate from Ukraine. The respondents also named Transcarpathia, the Donbass, Bukovyna, and Odessa and its oblast as the likely "independent" regions. A total of less than 9 percent pointed to a threat to the unitary arrangement from these regions. To be sure, one in four respondents could not give an answer. One respondent in 10 does not see such a danger in Ukraine at all.

So, how should relations between the central echelon (Kiev) and the regions of the republic be structured?

The views of the population on this problem differ greatly: from support for centrism to that for complete regional autonomy. Those who advocate sufficient autonomy for the regions in resolving issues of local significance and ensuring the leading role of Kiev in resolving issues of nationwide significance take a more balanced position. One in four people polled believes so. The same number in the survey could not give an answer. Finally, to the mind of one-half of those polled, the right to make key decisions should be retained by the center (23 percent are of the opposite view). Therefore, it is obvious that with a view to strengthening the statehood of Ukraine it is feasible for the center to pursue a flexible policy with regard to regional self-government which will enable Kiev to play the role of an integrating factor and to prevent the strengthening of centrifugal tendencies and separatist attitudes.

Economic Issues

***Halchynskyy on Stabilizing Production**

954K0625A Kiev URYADOVYY KURYER in Ukrainian 17 Jun 95 p 5

[Article by Professor Anatoliy Halchynskyy, adviser for macroeconomic issues to the president of Ukraine: "Production and Monetary Stabilization: Possibilities for Reconciliation"]

[FBIS Translated Text] A 7.3-percent decline in industrial production in April confirmed the conclusion that processes of stabilization in the economy which developed in the first quarter of this year remain exceedingly unstable. In May the situation virtually did not change. The volume of industrial production dropped by another 1 percent compared to the previous month. As a result of this, production statistics registered in two months of the second quarter, April and May, were far worse than in the corresponding months of last year. There is no need to argue how dangerous such a trend is. I will only recall that in 1994 the decline in industrial production reached its maximum at 27.7 percent. Our economy will not withstand a repetition of the same.

I focus on this point in particular because a new government and a new program for its activities are now taking shape. Ensuring the stabilization of production by all possible means will be a priority area of policy under all circumstances. Actually, the basic logic of the adjustment in the course of economic reforms announced by the president of Ukraine at a session of the Supreme Council of 5 April is aimed at accomplishing this very task.

Now let us turn to statistics which know everything and can explain everything. To be sure, one should not behave in too familiar a manner with statistics, rather, that is, one should behave professionally because otherwise one cannot avoid biases. It is one matter to look at time series taking as the basis the corresponding period of last year or, say, the pre-crisis year 1989. It is another matter to track monthly or 10-day changes. Time series for long periods of time are crucial to a politician. On the contrary, changes over the shortest possible period are the most significant for an official. This gives him an opportunity for short-term intervention in economic processes and the making of timely management decisions. I am forced to stress this because traditionally everything in our country is given "in comparison to the corresponding period of last year." The custom of living in accordance with the laws of political economy is a factor. There is nothing that can be done about it. People's consciousness is always conservative. Time is needed to reconsider things.

So, what do statistics pertaining to monthly changes tell us? Let us look at the dynamics of two key macroeconomic indicators of production and inflation.

Monthly Changes in Industrial Production and Inflation (percentage of the previous month)

	1994		1995	
	Industrial production	Inflation	Industrial production	Inflation
January	-14.0	+19.2	-9.5	+21.2
February	-4.9	+12.6	+1.2	+18.1
March	+5.9	+5.7	+9.7	+11.4
April	-0.5	+6.0	-7.3	+5.8
May	+7.5	+5.2	-1.0	+4.6
June	+10.4	+3.9	-	-

Whatever politicians might say, an unbiased analysis of data presented in the table testifies to quite favorable trends of economic development in the first quarter. For the first time in the last three years, the total volume of industrial production not only failed to decline but also grew a little. This made it possible to reduce the magnitude of a decline in production compared to the corresponding period of last year by a factor of almost three. In the first quarter of 1994, these statistics came to 38.2 percent, and in the first quarter of 1995—12.1 percent, respectively.

I will explain for those who still have not sorted out these numbers. The current quarterly decline is not 12.1 percent, as some documents—even official—maintain. In the first quarter of 1995, the volume of production increased by 0.5 percent; 12.1 percent is what remains from the 38.2-percent decline in the previous period.

The dynamics of inflationary processes developed on a slightly different pattern. In the [first] three months of 1994 prices on the consumer market fell from 19.2 percent to 5.7 percent, or by a factor of almost 3.37 whereas in 1995 they fell by a factor of 1.86. However, the overall trend was hopeful in this economic area, too. It was in line with projected statistics. In this reference, it is worthwhile to note that in April and May retail prices fell by a factor of more than two.

What changed in the second quarter in the sphere of production? As the presented table indicates, industrial production increased by almost 7 percent in April and May whereas this year it fell by almost the same amount. For a more complete grasp of the events I will recall once again : Last year was the one in which the fall in production was the deepest during the crisis period. Of course, final conclusions concerning economic results of the first half year can only be drawn based on data from June 1995. However, it is already obvious that, unfortunately, they will not be weightier than last year, in line with expectations.

What conclusions can we draw from this? I will refer only to some of them concerning primarily the policy of financial stabilization which causes many complaints and the interaction of this policy with the policy of stimulating the production process.

I will say unambiguously that there cannot be the slightest doubt about the propriety of the policy of ensuring monetary and financial stabilization. Our own experience is a convincing proof of that: The results of the last four years have proven that no attempts to stimulate production along the lines of weakening the fight against inflation have not been, nor can they be successful. In an inflationary environment all financial resources migrate to the area of distribution. The essence of the problem which has emerged in the most recent period is different. The economic situation which had evolved by the end of the first quarter, when price dynamics became manageable, called for using fundamentally new mechanisms of monetary and financial stabilization, for shifting the focus of economic policy toward stabilizing the finances of direct economic transactors—those of enterprises and organizations. The monetary and financial system of the economy cannot be functional when two of its levels—the budget system and finances of lower-echelon economic structures—are out of balance. This is an elementary truth which, unfortunately, is frequently forgotten by our managers.

It was in view of this that the task was set to make a transition from the methods of frontal assault on inflation through a strictly monetarist macroeconomic package of measures to suppressing inflation on the basis of saturating the consumer goods market to a greater extent and simultaneously stimulating effective demand by the population. Such a transformation of deflationary policy methods would be entirely natural, and it is understandable. Methods of monetary and financial stabilization cannot be adequate when at issue is the choking off of hyperinflation (in 1993, it amounted to a 47-percent price growth per month on the average) and a reduction of prices within the limits of the 9-percent monthly norm. In the process, the following also had to be factored in: on one hand, an acute aggravation of the payments crisis, while on the other—a decline in the standard of living of socially vulnerable strata of the population to the lowest permissible level.

The need to accomplish this particular adjustment was stated in the president's address to the parliament on the occasion of presenting an annual report on the economy to the parliament. However, the task was not being accomplished. As far as I am concerned, this was precisely the key reason for a sharp deterioration in the economic situation in the second quarter, which has been mentioned above.

What is the way out in view of this?

Extraordinary measures to overcome the payment crisis first are necessary in order to get production going, to prevent a new cycle of its decline under any circumstances, and to not fall into the abyss of monetary and financial destabilization at the same time. An integrated system of such measures has been set forth in the well-known presidential directive on this issue. There are 55 items whose implementation can produce the desired effect only if they are carried out comprehensively. To my mind, it is an urgent minimal program for the new government which should be translated into life as soon as possible. We cannot allow this system of measures to be frustrated as well.

In all of this, we also mean that ensuring higher rates of growth for wages is the key element in overcoming the payment crisis. The accomplishment of this task is now becoming one of the main instruments of economic policy. An effective way out of the economic impasse may be found primarily through applying this measure. In our country, inflation is not generated through wages. On the other hand, the growth of wages means not only boosting effective demand, and thus production, but also new, stable revenues for the budget, the Pension Fund, and the Chernobyl Fund, the restoration of incentives for productive work, and other meaningful instruments for the overall rehabilitation of the economy. Ultimately, this is also the only possible way to correct the well-known price disproportions in the sphere of housing and consumer services to the population. As the experiences of recent months suggest, everything else is ineffective.

We should appreciate that accomplishing these tasks will slow down to a degree the process of reducing inflation to parameters outlined in the long-range plans. However, we are forced to boldly go for this. The main point is to not lose control of inflationary processes. In April and May, the rate of inflation in Russia was higher than in our country. It came to 8 and 7.8 percent whereas in our country it was 5.8 and 4.6 percent. However, overall stabilization processes have been developing much more intensively in Russia. In conjunction with this, it is understandable that incentives for production in combination with the growth of effective demand will lay a qualitatively new and more substantive foundation for further monetary and financial stabilization.

Protection for domestic manufacturers is another comprehensive problem. It is impossible to stimulate effective demand without reaching this target. Otherwise additional financial resources will sustain growth in the imports of consumer market goods rather than the growth of production. Such a course of events would be extremely destructive at the current stage of economic development. It cannot be allowed to happen.

It is also known that economic stabilization, including monetary and financial stabilization, is impossible without carrying out radical structural changes in the economy, with, first of all, a substantial reduction in the energy intensiveness of production. However, this requires considerable financial resources which we simply do not have. Hopes that foreign capital will help us out are also in vain. We will not succeed in fully solving the aforementioned problem in this manner. I will say more: There is a threat that the current use of foreign credit to cover the deficit of the balance of payments associated with energy supplies substantially reduces economic pressure for implementing urgent energy-saving measures. Unfortunately, there is no need to argue for this truth. This is precisely the pattern which economic developments have been following.

What is the way out?

This is where new approaches are supposed to be used. The available financial and investment resources should be concentrated to stimulate the economic sectors in which recoupment of capital is fast and which are capable of ensuring the actual acceleration of the process of subsequent capital accumulation. It is important to take into account the fact that this is about sectors which work directly for the consumer. These are sectors of the agroindustrial complex, the light and foodstuffs industries, and the service sector. We are not so rich now as to spread the extremely limited resources around on the principle that everyone gets a penny. We should concentrate these resources purposefully. This task is entirely realistic and justified. To my mind, the potential of the new government for actually influencing the cause of economic processes will be revealed to a considerable degree with regard to this issue.

Finally, the last point. A presidential edict on developing the 1996 budget has been issued. Budgetary planning is the main instrument of economic management. Last year, we failed to accomplish the key task of budgetary policy—to carry out a profound restructuring of the existing system for social spending. In the absence of this all hopes for ensuring an effective stabilization of the budget, the ultimate foundation of general economic stability, will be in vain. In view of this, the entire set of preparatory measures which envision the accomplishment of this task should be developed within the coming months, not in January through March, as the previous government tried to do while having this year's budget approved, but in June or July, and not later. Only in this case will it be possible to accomplish real changes and take the necessary preparatory measures. It is also the main task which calls for immediate involvement by the new government and will test its economic maturity.

Kazakhstan

Bayekenov on Progress of Anticrime Program

954F2681A Almaty VESTI KAZAKHSTANA in Russian 29 Jun 95 p 2

[Interview with Lieutenant General Bulat Bayekenov, Kazakhstan minister of internal affairs, by VESTI KAZAKHSTANA special correspondent Albert Shtulberg; place and date not given: "Bulat Bayekenov: We Are Conducting a Consistent, Massive Offensive Against Crime in All Directions"]

[FBIS Translated Text] Three years have passed since the adoption of the law "On Organs of Internal Affairs of the Republic of Kazakhstan," which defined the duties, rights, and responsibilities of these organs as an armed law enforcement system of state administration. In March of this year the president proposed a broad radical program of combating crime, an important role in which is envisaged for the MVD [Ministry of Internal Affairs]. How is this program being implemented? The republic's minister of interval affairs, Lieutenant General Bulat Bayekenov talks to our correspondent.

[Shtulberg] Bulat Abdrakhmanovich, at the March conference on questions of suppression of crime there was rather emotional talk about "runaway criminal processes" taking place in the country. I would like, as they say, to hear from the horse's mouth an appraisal of the current situation on the criminal front.

[Bayekenov] I am not going to reveal anything new: The operational-preventive Operation Law and Order is being conducted on a republicwide scale. Three of its phases already have been implemented; much labor-intensive work has gone into it. Nevertheless, the operational situation in the republic remains difficult and tense. Comparative statistical data for the five months of this year, as compared to last year's data, in my opinion, are not encouraging: The number of crimes has increased within the line of every service. The increase is not large—4 percent. But it is still a growth. With respect to the level of crime, the average indicator for the republic—50 crimes per 10,000 population—noticeably "goes off the scale" in Karaganda, North Kazakhstan, East Kazakhstan, Mangystau, Akmola, and Pavlodar Oblasts and the republic capital. Almost one out of seven crimes registered in the republic is committed in Almaty.

[Shtulberg] Apparently crime now has its own specificities characteristic of the transition period we are currently living through.

[Bayekenov] First of all, there is a clearly identifiable preponderance of violent-mercenary crimes. There are more murders and infliction of grave bodily harm during robberies and muggings. But as before, almost one-third of premeditated murders are committed in the home environment—in the language of police protocols, in the sphere of family and household relations. And, as a rule, after drinking together at parties. Again, we have to point to insufficient individual prevention work with "persons abusing alcoholic beverages." To put it plainly, alcoholics. The police can only conduct periodic checks of alcoholics' behavior at the place of residence, while commissions under local administrations, elders' councils, and other public organizations practically have removed themselves from this business.

[Shtulberg] And what about theft?

[Bayekenov] The number of crimes against property has not changed this year, but there is more theft on a large and particularly large scale. In a number of oblasts there is an increased incidence of theft of public and state property; neither is the rate of theft of citizens' personal property going down. These are some signs of our times.

[Shtulberg] These days people rarely venture out on the street in the evening; many reinforce doors with iron sheeting and put bars on windows—afraid of robbers....

[Bayekenov] In the republic as a whole there is an indication that the number of robberies is going down. But in Akmola, Zhezkazgan, Zhambyl, Kokshetau, North-Kazakhstan, Semipalatinsk, and Turgay Oblasts and Almaty the rate of these crimes has not declined. Almost one-third of all individual robberies registered in the republic were committed in the capital. In some organs of internal affairs work on solving robberies is organized extremely poorly; quite often operational-investigative actions are not taken in a timely manner. That is why in the capital GUVD [city administration of internal affairs] the rate of solving robberies is lower than the republic average: In the republic as a whole, the rate of solving these crimes is 60 percent.

[Shtulberg] This means that solving crimes remains a weak link in the work of internal affairs organs?

[Bayekenov] The general indicator increased this year by 8 percent and measured 62.4 percent. We believe, however, that this is not the limit. This has been convincingly demonstrated by just some results of the three phases of the operational-preventive Operation Law and Order, during which there was a noticeable activation of the role of patrol and point-of-station police, GAI [state motor vehicle inspection], and police precinct inspectors in crime solving; scientific and technical means are being used more extensively. As a result, the rate of crime solving during Operation Law and Order rose to over 75 percent. I want to note the positive effect on the crime-solving rate of practical interaction between internal affairs personnel and the procuracy and courts, which made it possible to quickly apply measures to detain criminals and deal with matters of their culpability.

Overall, during the time Operation Law and Order was in effect, our services' public relations grew stronger and were filled with new content; the preventive work of precinct inspectors on individual prevention of crime improved, as did that of the juvenile affairs inspectorate. Our agency took an active part in the conduct of work on opening a treatment and prevention facility for alcoholics. At the same time, we also clearly see numerous lapses in our work, especially in regions that treat the implementation of a set of measures as another campaign, which President N. Nazarbayev pointed out at the recent meeting of the task force on combating crime and corruption. These are precisely the regions where we discover outright failure to combat repeat crime; no systematic work on combating alcoholism, juvenile crime, etc. is conducted there. I want to emphasize once again: Operation Law and Order is not a campaign—it is a systematic, massive offensive on crime in every direction.

I will cite only a few figures, which will let you judge the work we have accomplished. As a result of measures conducted within this program, 4,894 previously committed crimes were solved, 1,263 tonnes of drugs confiscated, more than 4,200 persons on the wanted list detained, 7,303 units of firearms confiscated, and 483 stable criminal groups identified and neutralized, including 83 engaged in robberies and 103—in extortion.

[Shtulberg] Well, these are impressive figures. One can immediately see that a noticeable dent in crime has been made. But in the environment of open borders it is hard to achieve real success in the offensive against crime without coordination with one's neighbors. If not impossible....

[Bayekenov] Since 1992 we have had agreements on interaction with the sphere of suppression of crime with a number of CIS states and far abroad countries. For instance, an agreement was recently signed between the Republic of Kazakhstan Government and the Islamic Republic of Pakistan on cooperation in combating organized crime, illegal traffic in drugs and psychotropic substances, terrorism, and other dangerous types of crimes. In October 1992, in order to integrate itself in the world process of combating organized transnational crime, the Republic of Kazakhstan joined the International Organization of Criminal Police—Interpol, whose membership includes 176 independent states. The most active interaction is currently carried out with law enforcement organizations of Russia, Belarus, Uzbekistan, Kyrgyzstan, and Ukraine, and the police forces of Turkey, Germany, the United States, Poland, and Iran. This cooperation is necessary for us to fight organized criminal groups that have international connections and combat the drug business, counterfeiting, and so on.

[Shtulberg] In this connection, please characterize at least in general terms the state of suppression of organized crime.

[Bayekenov] Over five months, GUBOPK [Administration for Combating Organized Crime] units have uncovered considerably more crimes in both the so-called general crime sphere and in the economic sphere. The list includes murders, extortion, numerous thefts, abuse of official position, crime involving counterfeiting money and securities, and so on. Among the persons who have committed crimes and are charged under criminal law are 11 high- ranking officials in administrative organs, 184 heads of enterprises and organizations, 14 customs officers, eight customs inspection personnel, 27 employees of finance-credit and banking structures, and 54 officers of internal affairs organs, courts, and the procuracy.

In Karaganda Oblast, for instance, we unmasked an organized criminal group engaged in extortion of material values from entrepreneurs. Firearms and cold steel, six cars, and audio and video equipment were confiscated from the criminals. In keeping with the president's 17 March 1995 edict "On Changes in Some Legislative Acts of the Republic of Kazakhstan," the criminal group's organizer—a certain Sh.—in addition to charges of extortion was also charged under Article 63-2, Part 2—organizing or leading a criminal association. So, the new law is working, which should serve as a serious warning to those "bosses" who hope that in the event of unmasking they will get off with just a slap on the wrist.

[Shtulberg] Bulat Abdrakhmanovich, you have just said that this year, among others, charges have been brought against members of the law enforcement community. What crimes are they guilty of?

[Bayekenov] Over five months of this year members of internal affairs organs have committed 59 crimes. Most of them are bribe- taking and abuse of official position, but there were also instances of hooliganism, rape, violation of traffic laws, and even one premeditated murder. Forty-nine criminals, who in the past wore the uniform of our service, have already been sentenced by courts. As a rule, we ourselves uncover our employees who commit unlawful acts. We are taking dramatic steps toward improving all personnel work in the MVD, UVD, UVDT [transportation police], and other organs and units of internal affairs and educational institutions within our system.

[Shtulberg] But the overwhelming majority of internal affairs organs personnel are people who are devoted to their difficult calling, brave and selfless. Please name at least a few officers who particularly distinguished themselves.

[Bayekenov] By the recent presidential edict, for exemplary execution of duty in maintaining law and order, and bravery and self-sacrifice displayed in detaining dangerous criminals, 12 persons were awarded the "Yerlyg Ushin" medal, and three—a Certificate of Distinction of the Republic of Kazakhstan. Among them are Taneke Analdinov, senior criminal investigations operative of the Taldykorgan OVD [department of internal affairs]; Vladimir Volkov, patrol and station duty unit commander from Shchuchinsk; Kydyrkan Kudabayev, senior precinct inspector of the Moskovskiy Rayon OVD; Dmitriy Mikov, serviceman of the internal troops of the Republic of Kazakhstan; Abizhair Aydarbekov, senior police precinct inspector from Kzyl-Orda; and others.

Much as I would like to, I simply cannot mention by name all personnel of internal affairs organs who carry out their service selflessly and conscientiously, because they are the absolute majority in our service.

Karmet Scandal Reviewed in Political Light

954F2688A Almaty STOLICHNOYE OBOZRENIYE in Russian 29 Jun 95 p 4

[Article by political commentator Mikhail Ustyugov: "Political Dimension of a Scandal"]

[FBIS Translated Text]

Karmet—So Much Is Wrapped Up in This Word

The scandal around the Karmetcombinat [Karaganda Metallurgical Combine], the resounding echo of which has reverberated so powerfully through our mass media, broke off on a note of a mix of outrage and complaints. The government once again adopted a arrogant attitude: Yes, we permitted some "legal vagueness," but we were right, because we truly care for the national cause and keeping coke batteries in operational condition. Recalcitrant businessmen once again permitted themselves to disagree: What kind of policy is this—giving the combine away with one hand, and holding it back with the other; signing official documents with one hand, while with the other banging on the table: Pay up faster than stipulated in the contract.... Whose side the truth is on is probably a matter for the court to determine. We will look only at the political dimension of this strange incident.

Enough has already been said about Karmet being the flagship of our industry, one of the largest enterprises not only in the republic but also in the CIS. In Kazakhstan, this purely socialist colossus also evokes political associations: This is where Nursultan Nazarbayev's working career began. Let us also recall this interesting fact from recent history: At the end of 1980's the captain of the combine was Oleg Soskovets—now first deputy prime minister of Russia, one of the most influential persons in the Kremlin leadership.

What does Karmet mean for the republic? Let us turn to the data of the research institute of economics and market relations, published last year.

"Ferrous metallurgy accounts for 12.2 percent of marketable output, 8.7 percent of capital production assets, and 5.1 percent of the industrial labor force, or 70,000 persons. Ferrous metallurgy consumes 20.6 percent of electric power and 12 percent of fuel resources consumed by the republic industry. All rolled metal production is concentrated at the Karaganda Metallurgical Combine, which by volume of output is ninth among 67 metallurgical enterprises of the CIS."

However, the combine conjures up not only images of bravura reports on overfulfilled production plans. A large economic entity could not fail to tempt some managers, actively "adapting" to the market, to considerable abuses. The state's control organs (the Ministry of Finance KRU [Control and Audit administration], which after a string of complicated transformations became the State Financial Control Agency) has more than once audited the combine's finances; however, as a rule, the results were not made public, remaining the property of a small circle of state leaders.

Actually, with the appointment of O. Soskovets as first deputy prime minister of Kazakhstan in early 1992, something surfaced even in our information-shy press. In particular, some not too attractive, although perhaps "market-innovative," affairs associated with the joint enterprise [SP] TSK Steel, founded by Karmetcombinat [KMK] and a Swiss company.

The SP was created allegedly for the purpose of producing consumer goods, but in reality became a convenient cover for the KMK leadership's foreign trade operations. Limited-distribution metal was being shipped to faraway countries, bypassing numerous Kazakhstani customers. The SP's status permitted it to get an exemption from paying taxes on profit and to ship the metal abroad without any licenses. Foreign currency earnings soon became the source of a lush life for many managers—cars, imported goods, and pleasant business trips to Europe and overseas, generously shared with a small circle.

By 1990 another very market-oriented structure was registered in Temirtau—the Kazakhregion Association. Its founder was Karmetcombinat, its president—KMK's general director Oleg Soskovets. The main purpose of the association was, as usual, the production and sale of consumer goods. Strangely enough, the combine's output—steel, tinplate, and ribbed rolled metal—became the main such commodity. Popular consumption was limited to a traditionally narrow chosen circle. Soskovets' two deputies soon received personal Volgas, and other association members—more modest cars: some Nivas, some Zhigulis....

Well, should we really stir up the past? It is inarguable that after Oleg Nikolayevich's departure, market relations among the combine's leadership continued. The enterprise itself, however, turned from a flagship into a bankrupt. Such is the logic of our bizarre transition to capitalism.

Between Bankruptcy and Sponsorship

The first serious government "bell" for Karmet rang in the fall of last year, when the republic press, totally unexpectedly for our director corps, published an official list of "bankruptcy candidates." Karmetcombinat took an honorary third place, letting only the Mangistaumunaygaz production association and the suffering Karagandaugol get ahead of it.

Impassive financial indicators told us that the colossus had feet of clay. Accounts payable—6.4 billion tenge. Accounts receivable— 3.8 billion tenge. In the foreign currency account—an amount equivalent to 66 million tenge. The residual book value of capital assets—157 million tenge. But the value of unsold finished product was twice as high: 320 million tenge.

As it turned out later, the list of our bankrupt flagships had been put together by Ministry of Economics specialists and killed two birds with one stone. First, it stunned general directors, demonstrating to them the gloomy prospects and complete futility of turning to the government for preferential credits and individual tax relief. Second, it poured balm on the souls of overseas experts, who give us millions of dollars, demanding that we ensure the irreversibility of economic reforms. And why not—if such enterprises go bankrupt, it means that the transformations are indeed irreversible.

Karmet approached the beginning of the current year with a heavy burden of debt, which is sometimes hard to explain rationally. For instance, the enterprise's accounts receivable with near abroad partners reached 2.2 billion tenge, while accounts payable amounted to only 1.7 billion tenge. Translated from financial language, this means that the combine's partners from Russia, Uzbekistan, Turkmenistan, and other young states owed it much more than it owed them.

So how did it happen that a de facto Kazakhstani bankrupt became a virtual "sponsor" for near abroad enterprises? The KMK leadership, of course, blamed technical reasons: We cannot stop production, they said. However, the government had long advised producers with the best intentions: Gentlemen, do not ship millions of dollars worth of product without prepayment. Nevertheless, the goods kept being shipped, and many people already saw criminal intent in this matter: Go and find out how, and with what, I, the manager, was paid for this allegedly not-paid-for product....

It was impossible to put it off any longer: The combine needed to be transferred to true owners instead of favorites, capable of only "cooking" their own affairs at the expense of the state. Those who have the money, experience, and desire to get down to serious business.

The government did not dare to put Karmet up for tender. First, this would require a thorough financial and technical expert evaluation of the combine, for which the state would have to pay foreign experts millions of dollars (ours would hardly be up to such a job). Second, the very process of a tender would be very protracted: With this and that, plus analysis of the results, and signing a final contract with the winners, it would take at least half a year.

Therefore, the search for new owners for Karmet went through "internal channels": Some embassies were notified; some talks were conducted with knowledgeable people from the far abroad; some fishing was done in international business circles.

There were quite a few takers. There was discussion of the possibility of creating a financial-industrial group with the participation of the Swiss group Mekfin. Hard-driving businessmen from Hong Kong approached the combine: They promised $100 million now and another $150 million as a loan to be repaid over five years.

The cautious Japanese decided not to claim overall management of the KMK, and staked out only one important segment: The Itochu company undertook the construction of a coking gas purification plant at the cost of 19 billion yen.

On a recent trip to Korea, the Kazakhstan leadership offered the lease on Karmet to the leadership of the Samsung company—a leader in South Korean business. The Samsung people, however, refused to take a "makeweight" which probably would have outweighed the main subject of their industrial desires. As a result, Zhezkazgantsvetmet [Zhezkazgan Nonferrous Metals Plant] did indeed end up in the hands of the Korean supercompany, while the KMK, this time not as a makeweight but as a completely independent entity, was handed over to the joint enterprise Fest-Alpine-Kazakhstan.

Nobody probably had any doubt that the undertaking, described with such pleasure in a promotion interview by Bulat Abilov, was a completely done and sealed matter. All that was left to do was to see how a person who had built a successful image for himself in the field of lowly commerce would show his talents in the sphere of large-scale industrial production. All the more unexpected were the events that followed.

Making the Best of a....Ticking Time Bomb

When one compares the contracts signed with Fest-Alpine- Kazakhstan and the draft contract proposed by their main competitor—U.S. Engineering—two points catch the eye.

First, the terms proposed by the joint enterprise clearly were more lucrative. Fest-Alpine was willing to pay into the budget a bonus of $1 million, while their competitors said nothing about a bonus. Fest-Alpine pegs the extent of its future dividends directly on their managerial performance—5 percent of KMK's net profit; their competitors set an irreducible minimum for their income (the same 5 percent, but AT LEAST $10 million a year).

Second, the contracts formulate differently the clauses on the soon-to-be-performed financial audit of the former activities of the Karmet management. The question, as anybody would figure, is extremely delicate.

In the contract with Fest-Alpine it is dealt with uncompromisingly: The company itself undertakes an obligation to conduct such an audit with the participation of independent experts before 1 July. In the draft contract with U.S. Engineering this task is entrusted not to the company itself, but to the government: "To conduct a state audit of the activities of enterprises' former management in order to determine the legitimacy of its actions...."

If we forget for a moment the dramatic fate of the coke batteries, saving which, strange as it may seem, was cited as the main cause of the unilateral cancellation of the contract with Fest- Alpine, one may allow the following version: Economic cooperation with the Austrians and Canadians promised serious profits; however, politically their indelicate audits could create undesirable reverberations.

Naturally, it was nearly impossible to keep a good face in such a risky game. Therefore, all particularly high-ranking persons either kept a golden silence, thus showing that they were "above the fray," or simply temporarily disappeared from the horizon.

Thus, left for the journalists' torment were the former manager of a similar industrial giant in the eastern region of Kazakhstan, the "experienced" first deputy prime minister, V. Mette, Minister of Industry and Trade G. Shtoyk, and his deputy M. Murtazayev. They are the ones holding all-round defense. At a press conference, Mette hinted that the incident does not boil down to his personal nonacceptance of the contract with Fest-Alpine, and that the government's actions were sanctioned from above, but skillfully dodged all further inquiries of the inquisitive knights of the pen and tape recorder.

As a result, the scandal around Karmet may almost seem like a personal clash between Mette and Abilov, while in reality it is more likely a manifestation of a deep-seated conflict in the Kazakhstani government itself.

Abilov and its Austrian partners look like extremely active players, but even their maximum openness cannot give us all the information and all the truth that would allow us to learn the whole background of this "Mette and Karmet" saga. There are serious reasons to believe that it did not begin much earlier than April, when the Cabinet of Ministers received the first applications from contenders for management of Karmet.

Consultant to Economic Advisers on Karmet

954F2690A Almaty STOLICHNOYE OBOZRENIYE in Russian 29 Jun 95 p 5

[Interview with Khayrull Musapirov, consultant of the Council of Economic Consultants under the president of the republic, by Aleksandr Novikov, under the rubrics "Privatization" and "Capital Review"; place and date not given: "The 'Government Fire Brigade' Has Provoked Two International Scandals"]

[FBIS Translated Text]

To Mr. Mette—Metallurgist and Point Man

At the celebrated news conference in the Cabinet of Ministers regarding the unilateral dissolution of the contract for the administration of Karmetkombinat with the joint venture Fest-Alpine- Kazakhstan, one telling opinion was heard. One of the journalists gently "reproached" First Deputy Prime Minister Mette and jokingly called him the "point man." He said all the problems were blamed on the poor bureaucrat and now he is left to answer for the entire government. An elderly and understanding journalist, one whom the Moscow City Bank, that is, our government, finds sympathetic, for the latter, judging from everything, did not expect the stormy reaction of the "winners" and the mass media to their "demarche." But here is how it happened—the prime minister resigned, the chairman of the State Committee for Administration of State Property refused to sign a new contract with the former losers, and willy- nilly the managers of the Ministry of Industry and Trade and the representative of the "red directorate," Mr. Mette, ended up as scapegoats. And such a scandal could have been expected—that is what happens when you act in haste.

One also recalls last year's "farewell speech" of then Prime Minister S. Tereshchenko to the new leader of the State Committee on Administration of State Property thanking him for bolstering the budget with a transaction with Philip Morris and Nabisco and perhaps a couple more—sell what there is as quickly as possible and under the best conditions. Today this wish has turned into an international scandal.

Unfortunately, meetings with members of the tender commission at which preference was given to the Kazakhstan-Austrian joint venture did not turn out. The majority of them refused, giving various reasons as justification for their decision. Our conversation today is with a consultant of the Council of Economic Consultants under the president of the republic, Khayrull Musapirov. This organ, by way of monitoring the course of the implementation of the National Program for Destatization and Privatization during 1993-1995 (second stage), has analyzed the privatization of enterprises that has taken place in the republic under individual projects.

[Novikov] Mr. Musapirov, how do you explain the government's haste in turning Kazakhstan's largest enterprises over for outside management: by the desire to patch up the holes in the budget, the struggle within the state structures, or basic ignorance?

[Musapirov] There is a whole complex of factors at work here— both objective and subjective. Indeed, the 1995 budget does contain a figure of revenues from privatization of more than 11 billion tenge. In the first quarter we received about 275 million, only 2.5 percent of what was earmarked. More than 95 percent of the amount is to be received from privatization under individual plans. But last year's rates of privatization cannot satisfy anybody: Only four projects were carried out, which means that we must accelerate this process. And, of course, no one will argue about the fact that many of the flagships are now on the brink of disaster and the production recession is not over yet.

Among the subjective factors one must include the fact that the government really does want to change the situation. But without a systematic approach one always ends up in a game of hide and seek, and that is all. From just one positive example, that of the Pavlodar Aluminum Plant and the Sokolovsko-Sarbayskoye State Production Association, the government apparently came to the conclusion that contracts for administration were more effective than other methods. And then the dam burst....now we are stuck and again we have become the legislators of fashion—apparently in world practice there is no precedent for breaking the contract for the administration of Karmet two weeks after it was signed.

I repeat that this is our old malady—going from one extreme to the other. First the government was giving out its guarantees for investment projects right and left—without any justification or development. The time came to pay, and it backed off from the majority of its guarantees.

Then last year we started to play hide and seek with the holding companies. According to the president's edict, more than 40 of them were to be formed, while in reality it turned out to be about 80. In time it dawned on us: They introduced no innovations, they retarded the process of privatization, the management units grew in size, and the enterprises were still left alone with their problems. Now we have decided to reform some of the holding companies and a government commission has been created. This year we have a new idea—to turn enterprises over to outside management—which has become the main method of privatization of enterprises under individual projects at the present time. As of 1 June these contracts had been concluded for 20 of the largest industrial facilities, whose products make up the republic's export potential. For instance, profit from the Sokolovsko-Sarbayskoye State Production Association [GPO] alone during the first quarter amounted to 979 million tenge. But in spite of the large-scale application of this method, there have been significant violations in its utilization.

Laudable Zeal

[Novikov] What specifically?

[Musapirov] As you know, the selection of a method of privatization of a facility is preceded by a comprehensive analysis of the enterprise's activity and a technical and economic justification for various transformations of the facility. Actually technical and economic justifications of systemic transformations that approach world standards are completely lacking, and the role of the latter is played by formal departmental justifications and mini-programs for development of the enterprises. And yet a clear and comprehensive justification of organizational-structural and technical-technological transformations necessary for the given facility would make it possible not only to stipulate right in the contract the obligations of the management firm in the given area but would also serve as a certain indicator that would make it possible to reliably evaluate the firm's capabilities of participating in the long-term program for reproduction of the enterprise.

The zeal has reached the point where certain enterprises have begun to be excluded from the list by which international consolidating firms operate. The EC [European Community] commission allocated a grant and conducted a tender for preparing for privatization of individual projects at five facilities. The KPMG Consolidating Firm won the tender and began to work. During this time three of the five facilities—the Donskoy Ore Enriching Combine, the Ferrokhrom Joint-Stock Company, and the Yermakov Ferrous Alloy Plant—were turned over by the Cabinet of Ministers for outside management by the Japanese firm Japan Chrome Corporation. Another winner of the grant tender, the consulting firm Morgan-Grenfell, is completing an international tender to search for investors for the Zyryanov Lead-Zinc Combine. But when the government turned it over for outside management by the Invest Vetnet Investment Company, the possibility of completing the tender was called into question.

In addition to international problems, there are also purely domestic ones. The Ministry of Industry and Trade, which is responsible for monitoring the course of the fulfillment of the conditions of the contract by the management companies, as of 1 July had information on two out of the 20 enterprises.

(In the Ministry of Industry and Trade we were told that just a couple of days ago a commission was formed for verifying that contracts are fulfilled. As one can understand, such "speed" is largely linked to the conflict at Karmet. But even more surprising is that the ministry still does not have the majority of contracts for management, and this means that who, what, and when to verify are unknown. A.N.)

According to information that has been turned over, the management firms are not fulfilling some of their obligations under the contract. Thus, with respect to the Pavlodar Aluminum Plant they are not fulfilling point 2.4 of the contract: While as of 1 January 1995 accounts receivable amounted to 1.049 billion tenge, as of 1 May 1995 they had not decreased but had increased to 1.241 billion. Obligations to lower the level of accounts payable have not been fulfilled. For the Sokolovsko-Sarbayskoye GPO the firm Ayvedon [as transliterated] has not fulfilled the points of the contract concerning repayment of debts to the budget (they increased from 633 million to 779 million tenge) or for electric energy (207 million tenge). During the first quarter defaulted indebtedness did not decrease but increased: accounts payable—1.8-fold, and accounts receivable—3.2-fold.

[Novikov] This probably could have been expected.

[Musapirov] I think that when selecting the management companies, the government did not carefully study their actual capabilities of improving the operation of the enterprises, there was no international audit of their solvency, the contracts for the right to manage the enterprises were not subjected to in-depth legal expert evaluation, and they did not stipulate clearcut sanctions for failure to meet the conditions of the contract. Taking into account the economic importance for the republic of the largest export enterprises, one should display a great deal of caution and care when selecting management companies. After all nobody verified the business reputation of the managers: Perhaps they have money in their accounts, but who is to say that this money is their own and not someone else's. This is a fundamental issue. A serious, respected foreign firm cannot solve such large problems as allotting $200-300 million and more in a couple of days. According to the principle of whoever comes first and promises something is the winner. Herein lies a large danger, which will increase with each contract.

Not a single department (!) was able to give us precise information about the foreign firms that had taken over management of Kazakhstan's enterprises. The majority of them were registered in offshore zones (preferential taxation) and this means that it is practically impossible to verify their founders or their solvency.

Extremely little is known about the new winners of the contract for management of Karmetkombinat as well: The Eisenberg Group, about which we know only that it made an unsuccessful attempt at a project for drip irrigation in Shymkent Oblast and that it has an informal acquaintance with the former president of the former USSR; the completely unknown United Steel Engineering; the Kazakhstan Kazinvest Consulting, as it turns out, has an extremely close relationship to privatization in Kazakhstan— at the beginning of the coupon auctions this firm participated actively in this process and then was the contractor for the Canadian Hatch, its present competitor, and now one of the founders of the domestic consulting firm is among the advisers of the State Committee on the Administration of State Property.—Note. A.N.

[Novikov] But there is also no assurance that our economy will not be used simply for washing "dirty" money that is sheltered from taxes. The example of the aluminum branch of Russia is extremely instructive and should serve as a warning.

[Musapirov] A legitimate question but, I repeat, so far we do not have an answer to it.

The Paths We Choose

[Novikov] There are doubts about the principles used for selecting candidates for management. Even the tender commission headed by the chairman V. Mette was not approved by Decree No. 196-r of the Cabinet of Ministers until 31 May 1995. And this means that all the preceding contracts simply did not go through the competition—so there was no competent "jury."

[Musapirov] No doubt. After all, the conflict at Karmet was largely caused by the lack of clear-cut criteria and openness in conducting the competition.

All these are particulars which our government missed. But there is also a strategic problem. It is that in world practice the enterprises that are turned over for management are usually ones that require no change in the structure of production or the introduction of new technologies. They need a new administrative team and advanced management. In Kazakhstan this means is proving its effectiveness since it makes it possible in a short period of time to eliminate indebtedness to the budget and for electric energy, fuel, wages, etc. For example, the overall total of payments from the Pavlodar Aluminum Plant during five months of 1995 alone amounted to 4.8 billion tenge. Although the favorite conditions of the world aluminum market contributed to this as well, there is no doubt that credit should go to the management firm Uaytsven [as transliterated]. That is it is justified to turn enterprises over for management to the extent that this makes it possible under "emergency" conditions to remove the most critical problem of our economy. In a word, this is only one of the types of privatization or, rather, even preparation for privatization.

[Novikov] That is, the main task—changing the owner—is not being carried out.

[Musapirov] In compliance with the National Program, the contract for management is concluded when it is recognized that privatization of the facility at the given time is "economically inexpedient and premature," which is caused by the economic insolvency of the enterprise and the need for its preliminary rehabilitation. The government thinks that in five years the management firm will rehabilitate the enterprise, after which it can be privatized.

But when declaring an enterprise insolvent it is necessary to apply the procedure laid out in the law "On Bankruptcy," which the government is violating in this case. Finally, the management company is not objectively interested in the development and implementation of long-term programs (for a period of more than five years), without which improvement of the enterprise is a temporary phenomenon. For example, the only interest the management company has is to recoup its costs as quickly as possible and obtain a maximum profit, utilizing all the enterprise's capacities to the point of wearing them out. What the condition and status of these enterprises will be in five years—nobody in the government is working this out. Only the real master of the enterprise or another individual under his strict control can provide for stable improvement of the enterprise and its subsequent advantageous sale.

Additionally, according to existing legislation the right to conduct privatization has been delegated to the State Committee on Administration of State Property and the State Committee on Privatization. But the Cabinet of Ministers has included them only at the finish—when signing the contract with the managers. And the selection of the management companies has taken place without declaring competitions. But when the right to management is turned over exclusively on a competitive basis, one achieves not only publicity but also a large group of competing management companies in this branch: The main thing is the state ends up in a more advantageous position with the best firms and receives a much greater amount in bonuses as well as a significant supplement of working capital.

[Novikov] The Council of Economic Consultants probably has suggestions as well.

[Musapirov] Under the conditions of the reform being conducted in the republic it is necessary to have a radical restructuring of property relations and real privatization instead of "pseudo- privatization." Turning enterprises over for management is becoming like another "diversion" for the government. One method follows another and the final goal of privatization is lost from view—the formation of a genuine manager of production.

It is possible and necessary to step up the work for extensive application of other methods of privatization of enterprises under an individual project—sale under stipulated conditions, realization by means of auctions and competitions, open sale of shares. It is necessary to proceed toward realization of the mechanism for bankruptcy. Russia's experience shows that even bankruptcy can actually lead to improvement of the operation of many enterprises.

Even with the application of contracts for management it is possible to find better solutions. Let us say that the controlling state block of shares—say, more than 50 percent—is turned over to a management company, the bonuses used to cover indebtedness, and the remaining 40 percent of the shares is sold to another investor, and these funds are invested in renovation of production. Another of our "diseases" is probably manifested here—we are afraid of accusations of selling out republic property. But are management contracts not small-scale sales, after all, the fixed capital is being worn out. And zealous attraction to any one method cannot but lead to negative consequences. The selection of a management company should be conducted mainly on a tender basis, in an atmosphere of openness and competitiveness. It is necessary to simplify the procedure for conducting the tender as much as possible and develop a statute on tenders so there will be no disagreements or misinterpretations.

POSTSCRIPTUM: We did not manage to get a copy of the new agreement on the management of Karmetkombinat, but we know from reliable sources that the majority of points that evoked criticism in the old version have remained in the new one. The new managers insisted on 10 percent of the profit and the term of the contract has been extended to 10 years. The debt to the state budget must be paid off before the end of 1995. The government's obligations include granting support to any projects with the attraction of investments as well as loan guarantees for conducting investment, providing maximum support for the GYuSM and the enterprise in obtaining installment payments which are owed to Karmet by its clients, to consider to possibility of granting the enterprise the right to defer payments on value added tax for capital investments during the period of construction and two years after the corresponding capacities have been put into operation. The state, the government, and other structures must not interfere in the marketing activity or the price policy of the enterprise. The government is obligated to render assistance in acquiring the necessary quantity of raw material, electric energy, and fuel oil directly from the supplier and also support for obtaining the necessary unprocessed materials. As was expected, no clear-cut sanctions against the managers were envisioned, nor is there the possibility of unilaterally dissolving the contract. The expert appraisal conducted by an independent foreign legal expert showed that on the whole the contract meets international standards, which, however, are poorly applied in Kazakhstan's current economic situation. The representative of the state structures, who asked to remain anonymous, said that Eisenberg "always obtains the best conditions for itself." For which we congratulate the businessmen.

Edict on Legal Status of Foreigners

954F2640C Almaty KAZAKHSTANSKAYA PRAVDA in Russian 24 Jun 95 p 3

[Edict of the president of the Republic of Kazakhstan having the force of law: "On the Legal Position of Foreign Citizens in the Republic of Kazakhstan"]

[FBIS Translated Text] In accordance with Article 1 of the law of the Republic of Kazakhstan of 10 December 1993 "On the Temporary Delegation to the President of the Republic of Kazakhstan and the Local Administration Chiefs of Supplementary Powers" and for regulation of the legal position of foreign citizens in the Republic of Kazakhstan, I issue this edict.

Section I. General Provisions

Article 1. Legislation governing the legal position of foreign citizens in the Republic of Kazakhstan

Legislation of the Republic of Kazakhstan governing the legal position of foreign citizens shall be based on the Constitution of the Republic of Kazakhstan and shall determine in accordance with it the principal rights and obligations of foreign citizens and the procedure of their entry into the Republic of Kazakhstan, residence and movement about its territory, and departure from the Republic of Kazakhstan.

Legislation governing the legal position of foreign citizens in the Republic of Kazakhstan shall consist of this edict and other instruments of legislation of the Republic of Kazakhstan.

The legal position of foreign citizens in the Republic of Kazakhstan may be determined also by international treaties of the Republic of Kazakhstan.

If an international treaty of the Republic of Kazakhstan establishes rules other than those which are contained in this edict, the rules of the international treaty shall apply.

Article 2. Foreign citizens and stateless persons in the Republic of Kazakhstan

Persons who are not citizens of the Republic of Kazakhstan and who have proof of their citizenship of another state shall be deemed foreign citizens in the Republic of Kazakhstan.

Persons who are not citizens of the Republic of Kazakhstan and who do not have proof of their citizenship of another state shall be deemed to be stateless persons.

Article 3. Principles of the legal position of foreign citizens in the Republic of Kazakhstan

Foreign citizens in the Republic of Kazakhstan shall have all rights and liberties and shall also bear all obligations established by the Constitution, laws, and international treaties of the Republic of Kazakhstan, except in the instances specified by laws and international treaties of the Republic of Kazakhstan.

Foreign citizens in the Republic of Kazakhstan shall be equal before the law, irrespective of origins, social and property situation, racial and national affiliation, sex, education, language, attitude toward religion, and type and nature of occupation.

The utilization by foreign citizens of their rights and liberties must not be detrimental to the interests of the Republic of Kazakhstan, and the rights and legitimate interest of its citizens and other persons and shall be inseparable from their utilization of their obligations established by legislation of the Republic of Kazakhstan.

Article 4. Permanent resident and temporary resident foreign citizens in the Republic of Kazakhstan

Foreign citizens who have obtained permission and a permanent residence permit issued by the internal affairs authorities shall be deemed to be permanent residents of the Republic of Kazakhstan.

Foreign citizens who are in the Republic of Kazakhstan on other legitimate grounds shall be considered to be temporary residents of the Republic of Kazakhstan. They are required to register in the established procedure and to leave the Republic of Kazakhstan when the term of the stay determined for them expires.

Article 5. Granting asylum

The Republic of Kazakhstan shall grant asylum to foreign citizens and stateless persons who are victims of violations of human rights.

The question of the granting of political asylum shall be decided by the president of the Republic of Kazakhstan.

Section II. Basic Rights, Liberties, and Obligations of Foreign Citizens in the Republic of Kazakhstan

Article 6. Labor activity and recreation

Foreign citizens may engage in labor activity in the Republic of Kazakhstan on the basis and in the procedure established by legislation and international treaties of the Republic of Kazakhstan.

Foreign citizens may not be appointed to particular positions or engage in a certain type of labor activity if in accordance with legislation of the Republic of Kazakhstan the appointment to these positions or employment in this type of activity require citizenship of the Republic of Kazakhstan.

Foreign citizens in labor relations shall have the same rights and bear the same obligations as citizens of the Republic of Kazakhstan.

Foreign citizens in the Republic of Kazakhstan shall be entitled to recreation on a common basis with citizens of the Republic of Kazakhstan.

Article 7. Health care

Foreign citizens on the territory of the Republic of Kazakhstan shall in the sphere of health care have the same rights and bear the same obligations as citizens of the Republic of Kazakhstan.

Medical assistance shall be rendered temporary resident foreign citizens in the Republic of Kazakhstan in the procedure established by the health care authority of the Republic of Kazakhstan.

Article 8. Social security

Permanent resident foreign citizens in the Republic of Kazakhstan shall on matters of social security have the same rights and bear the same obligations as citizens of the Republic of Kazakhstan.

In the instances where a certain length of service is required for the appointment of pensions and allowances, foreign citizens may count their length of service overseas on the grounds and in the procedure established by legislation and international treaties of the Republic of Kazakhstan.

Article 9. Right to living quarters and other property and personal nonproperty rights

Permanent resident foreign citizens in the Republic of Kazakhstan shall have in housing relations the same rights and bear the same obligations as citizens of the Republic of Kazakhstan.

Foreign citizens may have in the Republic of Kazakhstan title to living quarters (except temporary resident foreign citizens) and other property, hold the copyright to works of science, literature, and art, and have the right of discovery, invention, efficiency proposal, and industrial specimen and also other property and personal nonproperty rights.

Permanent resident foreign citizens in the Republic of Kazakhstan shall enjoy their property and personal nonproperty rights on a par with citizens of the Republic of Kazakhstan.

Temporary resident foreign citizens in the Republic of Kazakhstan shall be entitled to enjoy property and personal nonproperty rights on the grounds and in the procedure established by legislation and international treaties of the Republic of Kazakhstan.

Article 10. Obtaining an education

Permanent resident foreign citizens in the Republic of Kazakhstan shall be entitled to obtain an education on a par with citizens of the Republic of Kazakhstan in the procedure established by legislation of the Republic of Kazakhstan.

Temporary resident foreign citizens of the Republic of Kazakhstan may obtain in the Republic of Kazakhstan an education in the procedure specified by international treaties of the Republic of Kazakhstan and also in accordance with contracts and agreements concluded with educational institutions.

Foreign citizens admitted to educational institutions shall have the rights and bear the obligations of trainees and students in accordance with legislation of the Republic of Kazakhstan.

Article 11. Enjoyment of the achievements of culture

Foreign citizens in the Republic of Kazakhstan shall be entitled to enjoy the achievements of culture on a par with citizens of the Republic of Kazakhstan. They are required to treat solicitously historical and cultural monuments and other cultural values.

Article 12. Participation in public associations

Permanent resident foreign citizens in the Republic of Kazakhstan shall be entitled to join public associations, other than political parties and public associations pursuing political ends, and if this does not conflict with the charters (statutes) of these associations.

Article 13. Freedom of worship

Foreign citizens in the Republic of Kazakhstan are guaranteed freedom of worship together with citizens of the Republic of Kazakhstan.

The incitement of animosity and hatred in connection with religious beliefs is prohibited.

Article 14. Conjugal and family relations

Foreign citizens in the Republic of Kazakhstan may contract and dissolve marriages with citizens of the Republic of Kazakhstan and other persons and enjoy rights and bear obligations in conjugal and family relations on a par with citizens of the Republic of Kazakhstan in accordance with legislation and international treaties of the Republic of Kazakhstan.

Article 15. Sanctity of abode and inviolability of the honor and dignity of the person

Foreign citizens in the Republic of Kazakhstan are guaranteed sanctity of abode and inviolability of the honor and dignity of the person.

Article 16. Movement about the territory of the Republic of Kazakhstan and choice of place of residence

Foreign citizens may move freely about the territory of the Republic of Kazakhstan open to visits by foreign citizens and choose their place of residence in accordance with the procedure established by legislation of the Republic of Kazakhstan. Restrictions on movement and choice of place of residence shall be established by acts of the duly empowered state authorities of the Republic of Kazakhstan when this is necessary for state security, the safeguarding of public order and the health and morals of the population, and protection of the rights and legitimate interests of citizens of the Republic of Kazakhstan and other persons.

Article 17. Taxes and fees and charges

Foreign citizens shall pay taxes and fees and charges in the Republic of Kazakhstan on a common basis with citizens of the Republic of Kazakhstan, unless otherwise specified by legislation and international treaties of the Republic of Kazakhstan.

Article 18. Protection of the rights of foreign citizens

Foreign citizens in the Republic of Kazakhstan shall be entitled to petition the court and other state authorities for protection of their due property and personal nonproperty rights.

Foreign citizens shall enjoy in court procedural rights on a par with citizens of the Republic of Kazakhstan, except in the instances specified by international treaties of the Republic of Kazakhstan.

Article 19. Restrictions in suffrage

Foreign citizens in the Republic of Kazakhstan may not vote or run for election to representative and other elective state authorities or office or take part in republic referendums.

Article 20. Military service

General military service does not extend to permanent resident or temporary resident foreign citizens and stateless persons on the territory the Republic of Kazakhstan.

Section III. Entry Into the Republic of Kazakhstan and Departure From the Republic of Kazakhstan of Foreign Citizens

Article 21. Establishment of the rules of entry into the Republic of Kazakhstan, departure from the Republic of Kazakhstan, and transit passage through the Republic of Kazakhstan

The rules of the entry into the Republic of Kazakhstan of foreign citizens, their departure from the Republic of

Kazakhstan, and transit passage through the Republic of Kazakhstan shall be established by this edict and other instruments of legislation of the Republic of Kazakhstan.

Article 22. Entry into the Republic of Kazakhstan

Foreign citizens may enter the Republic of Kazakhstan on valid overseas passports or papers substituting for them with entry visas of the Republic of Kazakhstan, unless some other procedure is established by an agreement of the Republic of Kazakhstan with the corresponding party.

Entry into the Republic of Kazakhstan may be denied a foreign citizen:

a) in the interests of state security and the safeguarding of public order or the health of the population;

b) if he is opposed to the sovereignty of the Republic of Kazakhstan and calls for a violation of the unity and integrity of its territory;

c) if he incites interstate, interethnic, and religious enmity;

d) if this is necessary for the protection of the rights and legitimate interests of citizens of the Republic of Kazakhstan and other persons;

e) if he has been convicted of terrorist activity or has been found by a court to be a particularly dangerous recidivist;

f) if he has been deported from the Republic of Kazakhstan previously;

g) if during a previous stay in the Republic of Kazakhstan, instances of his violation of legislation governing the legal position of foreign citizens in the Republic of Kazakhstan and customs, currency, or other legislation of the republic were established;

h) if at the time he applied for entry he reported false information about himself or failed to present the necessary papers.

Entry visas or other papers corresponding to them shall be issued by diplomatic and consular missions of the Republic of Kazakhstan or, in particular instances, by representatives of the Republic of Kazakhstan specially authorized for this.

Invitations of host parties and the authorization of duly empowered authorities of the Republic of Kazakhstan shall represent the grounds for the issue of visas, unless otherwise specified by international treaties of the Republic of Kazakhstan.

Article 23. Departure from the Republic of Kazakhstan

Foreign citizens shall leave the Republic of Kazakhstan on valid overseas passports or papers substituting for them with exit visas issued by the duly empowered state authorities of the Republic of Kazakhstan, unless some other procedure is established by an agreement with the corresponding country.

The departure from the Republic of Kazakhstan shall not be authorized for a foreign citizen:

a) if there are grounds for his arraignment on criminal charges— until the proceedings are concluded;

b) if he has been convicted of a crime—until his sentence has been served or he is released from penalty;

c) if he is evading discharge of the obligations imposed on him by a court—until the obligations have been discharged;

d) on other grounds established by legislation of the Republic of Kazakhstan.

The departure from the Republic of Kazakhstan of a foreign citizen may be postponed until he has discharged property obligations with which appreciable interests of citizens of the Republic of Kazakhstan and other individual and legal entities are connected.

Article 24. Transit passage

Foreign citizens transiting the territory of the Republic of Kazakhstan shall travel in compliance with the rules of transit passage to a border point of departure from the Republic of Kazakhstan in accordance with the established itinerary and may stop on the territory of the Republic of Kazakhstan only at the points indicated on the Kazakhstan transit visas with permission granted by the duly empowered state authorities of the Republic of Kazakhstan.

Section IV. Liability of Foreign Citizens. Reduction in Length of Stay, Deportation

Article 25. Grounds of liability for offenses

Foreign citizens who have committed crimes or administrative and other offenses on the territory of the Republic of Kazakhstan shall be liable on a common basis with citizens of the Republic of Kazakhstan, except in the instances established by international treaties of the Republic of Kazakhstan.

Article 26. Liability for a breach of the rules of residence in the Republic of Kazakhstan and transit passage of the Republic of Kazakhstan

Foreign citizens who have broken the rules of residence in the Republic of Kazakhstan, that is, who have been living without papers entitling them to residence or who have been residing on invalid papers, who are in breach of the established procedure of registration or movement and choice of place of residence, and who are avoiding departure when the length of their stay determined for them has expired, and also those failing to comply with the rules of transit passage through the territory of the Republic of Kazakhstan shall be held administratively liable in accordance with legislation of the Republic of Kazakhstan.

Foreign citizens' malicious breach of the rules of residence in the Republic of Kazakhstan and transit passage of the Republic of Kazakhstan shall entail the criminal liability specified by legislation of the Republic of Kazakhstan.

Article 27. Reduction of length of stay in the Republic of Kazakhstan

A foreign citizen in breach of legislation governing the legal position of foreign citizens in the Republic of Kazakhstan may have the length of stay in the Republic of Kazakhstan established for him reduced. The length of stay of a foreign citizen in the Republic of Kazakhstan may be reduced also in instances where the grounds for his continued stay no longer apply.

Article 28. Deportation from the Republic of Kazakhstan

A foreign citizen may be deported from the Republic of Kazakhstan

a) if his actions are contrary to the interests of state security or the safeguarding of public order;

b) if this is necessary for the protection of the health and morals of the population and the defense of the rights and legitimate interests of citizens of the Republic of Kazakhstan and other persons;

c) if he has violated legislation governing the legal position of foreign citizens in the Republic of Kazakhstan and customs, currency, or other legislation of the Republic of Kazakhstan.

A decision to deport shall be adopted by the duly empowered state authorities of the Republic of Kazakhstan. A foreign citizen shall be required to leave the Republic of Kazakhstan within the time frame specified in this decision. A person avoiding departure in such cases is with the prosecuting attorney's approval to be detained and compulsorily deported. Detention shall be permitted here for the length of time necessary for deportation.

Section V. Final Provisions

Article 29. Operation of this edict in respect to stateless persons

The provisions of this edict shall extend to stateless persons, unless otherwise established by legislative instruments of the Republic of Kazakhstan.

Article 30. Limitation of the sphere of operation of this edict

The provisions of this edict shall not affect the privileges and immunities of the heads and staff of foreign diplomatic and consular missions established by legislation of the Republic of Kazakhstan and international treaties of the Republic of Kazakhstan.

Article 31. Procedure of implementation of this edict

This edict shall take effect as of the day of publication.

[Signed] N. Nazarbayev, president of the Republic of Kazakhstan

Almaty, 19 June 1995.

Kyrgyzstan

Progress of Agricultural Reform Examined

954F2623A Moscow LITERATURNAYA GAZETA in Russian 15 Jun 95 No 24, p 10

[Article by Aleksandr Sabov, LITERATURNAYA GAZETA special correspondent: "From the Grandfathers Six Times Removed... Agrarian Reform in Kyrgyzstan: Stake Placed Not on Private Farmers, but on All Peasants"]

[FBIS Translated Text] In the early 90's, Kyrgyzstan was subjected to an onrush of rural youth, and within just a few months was encircled by a ring of homemade plywood-board constructions. "Sovereignty!" At first this word was understood to mean: "Drive out the foreigners!" Without any curfew, Bishkek was locked up tight behind seven seals.

Then President Askar Akayev adopted an unexpected decision: To grant the uninvited migrants full freedom. Let them trade and speculate, build and plant gardens. Only among owners will the aggressive envy toward the city residents, toward the "non-native population," disappear. In time, the Kyrgyz squatters formed their own socio-political movement "Ashar" ("Mutual understanding"), and the president himself took it under his patronage. And now, 4 years later, there are already multi-story buildings among the shanty huts. In these new settlements—"neither city nor village"—there is a unique social hierarchy and law and order, and the language heard here is both Kyrgyz and Russian. Business does not recognize nationality.

One need only bring up the subject of "land," and immediately the topic of "language" creeps into it.

These two concerns are inseparable in the life of the "native" and "non-native" population of the ex-Soviet republics. Two migrations, a foreign and a domestic, have flared up simultaneously, and still accompany each other. In 1991-1994, there were 163,148 Russians alone who left Kyrgyzstan. Statistics do not know the scope of the volcanic eruption of "excess people" from the rural areas, but, of course, these figures were much greater. Which of these migrations has dealt the most painful blow to the republic? Can we stop one without stopping the other? What other social perturbations can the degradation of the ail (village) lead to?

At first, Kyrgyzstan considered the (rapid) "South Korean model" to be the guideline for its development. Today, one more often hears references to the... (slow) "Swiss model". In other words, instead of an industrial burst, which would inevitably lead to a drastic reduction in agriculture, preference is being given to development with emphasis on the traditional economic basis. After all, almost 3 million people, or 60 percent of the republic's population, live on the farm. If they feed themselves—already half the country is satisfied.

While the first concept was uppermost in their minds, it turned out that, "according to the estimates of the best specialists, domestic and foreign, the creation of 80,000 individual farms in the republic would ensure the success of the matter" (A. Akayev, Spring of 1992). Taking into consideration the fact that Kyrgyz families have many children, these 80,000 farms would comprise, say, an entire million rural residents. But what about the other 2 million—what are they to do? Remain on the farm, gradually becoming hired laborers for the farmer-patrons? Set off for the cities with their dying enterprises? Specifically now, 4 years later, these questions have arisen most acutely. After all, only 20,000 individual farms have been created. They have not succeeded in feeding the country. The real per capita monetary income of the population in the Fall of '94 comprised 115 soms ($10). Can the market revitalize farm production with such a buying power of the population? And so, all the complaints were aimed at the president: He promised general well-being, and he deceived us. Or, perhaps, he deceived himself—would that be more correct? And was he alone in this?

A strong group of national-radicals was formed in parliament. Everyone who did not speak in the Kyrgyz language was booed down, chased from the podium. The most heated passions centered around the concept of "agrarian sovereignty." Who occupies the best lands in our country? The Uzbeks, the Russians, the Ukrainians, the Dugans, the Uygurs, the Koreans... And if we divide up the land by the principle of settlement, then we, the Kyrgyz, will be left only with pasturelands in the mountains!" An article is introduced into the preamble to the Land Code: "The land belongs to the Kyrgyz people"...

"The Kyrgyz people" or the "people of Kyrgyzstan?" The president warned that he would not allow such a substitution of concepts, and immediately imposed his veto. There are 25 large national minorities in the country, he reminded them. The land is the property of "all the citizens of Kyrgyzstan," and not only the "citizens of Kyrgyz nationality." In response, there was a storm of indignation! That is when the compromise idea of the National Land Fund was born: In the places of compact settlement of the "non-native population," a minimum of 50 percent of the denationalized land was to be given to representatives of the title nation. There was a mass exodus of Russians, Germans and other Dungans from the Tyan-Shan valleys: The people were being driven out by fear. The underpinnings of this fear, I believe, are quite understandable: The Kyrgyz agrarian reform of 1991-1994, as everywhere in the CIS, was built on the ideas of *disunification*—"strong private farmers," "title nation," "domestic migrants," etc. People could only be given confidence by a *unifying* idea, expressed in the presidential veto. The question was: How to implement it?

Fortunately, the president was not the only one who was thinking about this.

A year ago, in February, the republic was once again split into "proponents" and "opponents." On the last Sunday of the month, Askar Akayev removed the "embargo" from the draft edict, "On Measures for Intensifying Land and Agrarian Reform in the Kyrgyz Republic" (it had been in his computer for half a year!). He signed it and—flew off to Moscow. "What was the reaction?", he asked in a telephone call from there. "Total boycott," they told him.

After half a year, only one farm has been changed over to the new reform: The "Tamga" sovkhoz [state farm] in Issyk-Kula. That is not much... However, this was not a result of the boycott. At the proposal of the government, they decided to return to the controversial edict in the Fall, after the harvest. And so, last Fall all my efforts to find at least one "opponent" in the government or in the parliament were totally fruitless. Everyone was "in favor!" It is simply remarkable...

The Constitution of Kyrgyzstan (1993) declared the land to be the property of the state, and prohibited its purchase and sale. The reformers were discouraged: This "socialist" formulation clearly killed the agrarian reform which they had planned. I place this word in quotes, because the entire capitalist world is striving with all its efforts toward the first half of the presented formula ("the land is the property of the state"). So how do they combine state ownership with private rights there?

This question led me to Deputy Minister of Agriculture Bekbolot Talgarbekov. (Akayev noticed this young scientist back when he was president of the Academy of Sciences. Twice he nominated him for minister, and twice the parliament turned him down: He was both a "market man" and "too young"... Only on the third try was the 40-year old Talgarbekov recently appointed minister). "We rejected the stake on 'strong private farmers,' as well as on 'strong kolkhozes' [collective farms]," he said. "The stake has been placed on all the peasantry. Did you not sense this in "Tamga?"

Two villages: Tamga and Tosor... At one time they were two poor kolkhozes. They were united—and the result was a poor sovkhoz. And now they have once again been divided up—into 60 peasant farms, which retain one common thread: Cooperative services. And that is the whole story. Yet it is only the last chapter of this story which is of interest to us.

THE FORMER SOVKHOZ. The lands here are poor and cramped: 1,280 hectares of land in need of irrigation. Even in the best years, for a standard head of livestock there was barely 7.5 quintals of fodder units, although according to animal science there should be two times more. So, perhaps they should simply have cut down the herd size by half? "Why no!," says the frightened chairman of the cooperative, Kudaybergen Kurmambayev. "The plan took into consideration both low productivity and losses!"

Then his deputy, Zhaanbay Mamyrkanov, took off his hat, looked into it and said: "Up to the present time, we are still keeping 9,000 sovkhoz sheep on the accounting balance. The cooperative can support only one-third of them. The rest we would gladly send to the meat combine tomorrow, but it pays us no money. Maybe you can see about this in Moscow? We need to buy a tractor."

THE LAND. *"Citizens of the Kyrgyz Republic living and working in rural areas, within the complement of kolkhozes and sovkhozes, have the right to receive their share of land plots for agricultural use, except for the areas of the National Land Fund and the pasturelands."*

And so, 3 years were needed to make the step from *citizens of Kyrgyz nationality* (Land Code) to *citizens of Kyrgyzstan* (presidential edict). And at the same time to re-define the National Land Fund: Now this is the reserve land for the rural young people who are growing up, so that they do not have to spend decades waiting for their parent's inheritance, and then to break it up into small pieces. Tamga and Tosor have relegated one-fourth of their pasturelands to this reserve, 320 hectares. And so, for all rural residents, including teachers, doctors, cultural workers, communications workers and merchants, there are 960 hectares remaining, and computed "per capita," from children to aksakals [elders]—0.29 hectares each.

And this is the most interesting thing: Decollectivization at the hands of the peasants.

THE PEASANT FARMS. For 10 days, both villages seethed with activity. The entire month that Talgarbekov spent on his business trip, he was called first to one rural assembly, then to the other. The Kyrgyz, Russians and Tatars all called him in turn to their "town meetings." "Why, unite any way you like!," he answered. "By neighborhood, by interests, by love!... Only I would greatly advise you to hold to your kinship: You cannot forget the old people."

It was not easy for families to match up. But to match up in such a way that the land was nearby was even more difficult. If such a task had been resolved from above, surely de-collectivization would have been more terrible than collectivization. But since it was the peasants themselves who resolved this task, if you can imagine, of the 60 groups which were formed, 55 coordinated all land-related questions by themselves, and only five drew lots. After that, they all signed a general protocol.

"To ratify the charters of the peasant farms of the ails of Tamga and Tobor. To open accounts in banks for peasant farms. To prepare stamps and seals for each of them" (decree by head of administration of Dzhety-Oruzskiy rayon, Issyk-Kula Oblast).

ABOUT THE SIX GRANDFATHERS. Every Kyrgyz, and this tradition still lives in the ails, must know a minimum of six of his preceeding generations. Familial lines from the six grandfathers have become the basic principle of formulating peasant farms. They called themselves by the names: "Tokso," "Chokmo," "Tumonbay"... "And where is the grave of Tokso?", I asked Mamyrkanov, the head of the peasant farm of the same name. "We do not know. At the cemetery there is the grave of the third grandfather. That means, that is when they stopped leading a nomadic lifestyle. Tokso had 7 sons..." I had to listen to the entire history of the clan. But in my notebook I marked down only the top of the genealogical tree of the Mamyrkanovs: Today 22 families, 111 persons, are joined by the seal of "Tokso."

"And the Russians will also have their seals. After all, how could they ever find 6 grandfathers?" Mamyrkanov already reached for his hat, but Kurmambayev beat him to it: "Next to me lives the Russian Solomakhin family and several Tatar families. Today they have established a peasant farm. Other Russians have united with the Kyrgyz, however it was most convenient, with their neighbors. But still, they will necessarily have a seal! Not with the name of a grandfather, but it will still be nice: "Altyn-Kum"—"Golden Sands"... And Mamyrkanov put on his hat with a sharp motion: "During these years, about 50 Russian families have left here. There would have been enough for two farms, but now we cannot even get enough for one..."

After "Tamga," Talgarbekov went to the northern shore of Issyk-Kula, to the "New Dawn" kolkhoz. "So are you going to rush back an forth as the instructor to all the kolkhozes and sovkhozes?" "Why, no. It is enough to create several models, and then things will go by themselves. We began with "Tamga," where the majority are Kyrgyz. We are continuing in "New Dawn," where there are more Russian peasants."

THE FARMERS. Prior to all these events, two private farmers had separated away from the sovkhoz. Now would be a good time for them to expand, but... whom to lease the land from once the sovkhoz is gone? It turned out, from themselves. The argument of ownership won out: Both entered peasant farms and, of course, headed them up.

THE COOPERATIVE. Nevertheless, 60 autonomous farms jointly utilize equipment, maintain crop rotations, lease pasturelands, maintain shops, farms and sheepfolds. Who works in the "Tamga" cooperative? Why, those very same peasants who, aside from their own field and garden, are capable also of doing the "common" work.

The heads of the farms have elected the cooperative governing board consisting of 9 members. Of them, five are specialists who receive a salary. In the sovkhoz, after all, there were 30 managers.

THE LEGAL Entity. Dating back to the ancient Romans, current law has taken the formula for private ownership of land as the combination of three rights—possession, use and management. If all three are concentrated in the hands of the state or a large land-owner, there is a danger that you will work on all-people's impersonalized (collectively no one's) land, or as a farm hand for the master. But if the state assumes only "possession," and yields the right of "use" and "management" to the private individual, the picture becomes entirely different! Then you *"have the right to sell, exchange, transfer by inheritance, use as a security deposit or lease your right of use of the land plot,"* as they did in Kyrgyzstan. For the present time this is for a term of 49 years, but with the guarantee of extension to be granted to all land users who so desire. Regulating the level of the upper and lower limits of land use, only the state has the power not to allow either the formation of huge personal holdings, or totalitarian removal of land from the peasants. This is why in the USA 60 percent of the land for agricultural application is held in federal ownership, while in Israel all 100 percent belong to the state. What sense does it make to push away most of the peasants from the land, elbowing them away with the "master's hands" which are open wide—to as to turn them into lumpen-proletarians? Here is what Talgarbekov says:

"It is no accident that our conservatives, at first rashly threatening a boycott, soon realized that the presidential edict specifically proposed a market- and socially-oriented mechanism for realizing the principles of the Constitution. The rural economy, if it relies on small-scale producers, will allow them to compete and get rich, without bankrupting each other. This idea was defended at the beginning of the century by the Russian agrarian school of Chayanov. In the USSR is was subjected to fierce persecution, but in the West, on the contrary, it attracted ever more attention from scientists and legislators as the catastrophic social consequences of concentrating land in the hands of private owners became more obvious. Three years ago, while on a one-month visit to the United States, I met professors Prosterman and Heroti, leading jurists in the sphere of land law. And we began to ponder agrarian reform for Kyrgyzstan in the spirit of Chayanov's ideas. Now, wherever I go, everywhere I say to people: If you want to preserve your kolkhoz—go right ahead! Only under one condition: Enough of being "members of the kolkhoz"—you must become its owners...

I asked: Who else in our Commonwealth has made such an announcement? "Well," said Talgarbekov, "let us take a quick gallop through the CIS."

We began with the Baltic states, although they are not part of the CIS, but nevertheless they have been cut "from the Soviet great-coat!" There, the right of re-expropriation was taken as the basis of agrarian reform: Everything that was expropriated from the former owners was returned to them. Well, and those who had nothing before were left with nothing.

KAZAKHSTAN. Here they are copying the Kyrgyz reform, but with a correction: The land is being distributed by the local state administration. That means there will be tyranny of the local officials.

UZBEKISTAN. The people here are so hard-working, that even in these difficult times agriculture is supreme. There have been no reforms of ownership in the agrarian sector.

TURKMENISTAN. One may receive 50 hectares of land for private ownership, but this is... sand. The president of Turkmenbasha was lucky with his plot: He grew good potatoes and gave a sack to each of the ministers. "That is how it should be done."

ARMENIA. The kolkhozes and sovkhozes have been disbanded, and the land handed over by draw to private ownership, with the right of its purchase and sale.

TAJIKISTAN, AZERBAIJAN, GEORGIA, UKRAINE, and BELARUS. There are kolkhozes and sovkhozes, and equality-fraternity.

SINGAPORE... "What do you mean?!", I exclaimed.

"Excuse me, it just came to mind. They say that when they began land reform in the country, everyone who preached 'equality and fraternity' was temporarily placed in jail. In other words, it is specifically a matter of methods: We too are in favor of equal starting conditions and honest competition, but certainly not by administrative, but by the market means."

RUSSIA. The deputies of the State Duma have already heard two draft laws on legal regulation of land relations. One was proposed by the government, and the other—by the deputy faction "Russia's Choice." Neither one nor the other met with their satisfaction. A coordinating commission was established, which recently received a "unified and updated variant" from the State Duma Agrarian Committee. Here is a selection from Article 13: *"Subjects of the RF [Russian Federation] have the right to determine the circle of citizens and legal entities which may have land plots in private ownership..." How so: Some citizens can, while others cannot?! But how does this reconcile with the constitution, which proclaims equality of all citizens under the law? The federation is unthinkable without unified legislation over its entire area, yet the said article gives its subjects the right to institute within its boundaries, at their discretion, communism, capitalism, or any mixture thereof. Article 31: The maximal term of use of an allocated land plot is "up to 5 years."* And I am annoying the Kyrgyz reformer with the question of why the first term of land use in the republic is not 99 years, as is customary throughout the world, but only 49! To which he, I might add, responded as follows: "We were afraid to excite the geese..." Well, then we are exciting our own geese so much that even the Roman law cannot be saved from them. When the first term of land use expires in Kyrgyzstan, and the sixth grandfathers receive the right of eternal oblivion, the Russian petitioner for the "private" land plot will have gone down 10 times for his 5-year extensions, to bow down to the official! And will the peasant believe in such ownership? If only our Duma representatives would once go and take a look into Mamyrkanov's hat: There is something there which would not be bad for us to learn from our "little brother."

Azerbaijan

Fugitive Dzhavadov on Opposition Actions

954F2607A Moscow MOSKOVSKIY KOMSOMOLETS in Russian 14 Jun 95 p 4

[Article by Aleksandr Khinshtyn: "Azerbaijan Port Wine. Bottled in Moscow. Confessions of a Person Whose Head Is Being Hunted by All CIS Special Services"]

[FBIS Translated Text] No state has ever gotten by without uprisings. They could be peaceful, slow-moving velvet revolutions, they could be bloody putsches, they could be palace revolutions. In a word, the choice is large.

Having lived through many decades of rebellions (beginning with the Mednyy rebellion and ending with October 1993), Russia, of course, has developed a certain immunity. We have become so accustomed to such excesses that if a regular putsch were to occur, the people would take it as something to be expected. Which, incidentally, cannot be said about the other former republics of the Soviet Union....

In October of last year and April of this year, newspaper pages and television screens were covered with reports to the effect that there had been attempts at rebellion in Azerbaijan. It was asserted that units of the Special Purpose Police Detachment—the most professional of formations, which had gained combat experience in Karabakh—had twice refused to take orders from Geydar Aliyev's government. The first time, in October, they seized the building of the procuracy in Baku and at the same time supported the disfavored prime minister Suret Guseynov in Gyandzh, who was fighting to overthrow Aliyev. At that time, true, it all ended with Guseynov's fleeing from Azerbaijan and a reconciliation between the initiators of the putsch, the Dzhavadov brothers (one of whom, Mair, was the deputy minister of internal affairs and the creator of the OPON [Special Purpose Police Detachment] and the other, Rovshan—the procurator of one of the rayons of Baku) with the extremely wise president. And in April OPON units commanded by those same Dzhavadov brothers, in response to an order from Aliyev to disband, conducted operations in Baku, Gyandzh, and Kazakh, entered into combat, and, under pressure from government forces, were routed.

Such is the official version of this affair. But it is obvious that in reality it all took place somewhat differently. In order to figure out just what the real cause of the uprising was, or if there was one at all, one should probably say a couple of words to explain to the Russian reader what the OPON is.

As we have already said, this is the most professional formation of the Azerbaijan Army, which is much different from its Moscow analogue—the OMON [Special Purpose Militia Detachment]. Its top leader and founder is the war hero and former Ministry of Internal Affairs operative Rovshan Dzhavadov. For his outstanding service, Dzhavadov was subsequently awarded the rank of colonel and appointed to be deputy minister of internal affairs directly in charge of the OPON.

It should be noted that even Dzhavadov's opponents could not but recognize that he and his brother Mair were excellent fighters. This is why Rovshan Dzhavadov was so highly respected in the OPON. But after President Aliyev came to power, the detachment, of course, was a serious threat to him. Equipped with the latest weapons, the OPON units, scattered throughout the cities, were completely obedient to the deputy minister. All he had to do was give the order, and the "commandos" would immediately attack anyone who displeased the colonel.

By October, the situation had heated up to the boiling point. As if on command, the vice speaker of parliament and the chief of the republic's Special Administration (Counterintelligence) became the victims of unknown killers. Moreover, in Gyandzh, Azerbaijan's popular hero Colonel Suret Guseynov, who brought Aliyev to power on his shirttails, was becoming more and more dissatisfied. The Dzhavadov brothers also gradually began to show more hostility toward the president.

And at that moment, republic Procurator General Umarov, speaking on television, stated that the personal chauffeur of Mair Dzhavadov, who at that time was in charge of the Khatinskiy Rayon Procuracy in Baku, had participated directly in one of the aforementioned murders. Naturally, the Dzhavadov brothers were annoyed, and they did not forgive the offense.

Events then developed as follows: Several dozen OPON members, commanded by the Dzhavadovs, entered the building of the General Procuracy in the center of Baku and demanded the resignation of Procurator Umarov. At approximately the same time in Gyandzh, Prime Minister Suret Guseynov gathered together some forces and attacked the government. But very soon, Umarov was removed from his post, and the anger of the Dzhavadovs was replaced by good will. OPON leader Rovshan even spoke out at a rally in support of Aliyev and declared his personal solidarity with the struggle against Guseynov.

It seemed that peace and prosperity had come to the republic. But, as we know, calm in the East always means a calm before a storm. And it broke out.

In April of this year, some OPON members were arrested at the Georgia-Azerbaijan border for illegally transporting an immense amount of aluminum. Immediately after this, Aliyev signed an order to disband the OPON, which led to completely predictable consequences. The Dzhavadovs were brave warriors. But, alas, they were lousy politicians. Instead of concentrating in one place and dealing a crushing blow, the indignant Rovshan Dzhavadov ordered all the OPON fighters not to obey the president and to begin an uprising. He himself, along with his brother Mair, went into hiding on the territory of the detachment's base in a suburb of Baku and engaged in all-around defense. The units in Gyandzh and Kazakh resorted to similar actions. Of course, within a couple of days they were completely beaten. Rovshan died in battle, and Mair fled along with several comrades. The OPON was routed, and hundreds of people ended up in jail.

And although the uprising was suppressed, we cannot say that the source of upheaval was localized. Many OPON members are still free and have not abandoned their desire to avenge the deaths of their friends. Mair Dzhavadov is out of the reach of the Azerbaijan Special Services. In spite of the fact that a search for him has been declared in all CIS countries as a state traitor and there is a good reward for his capture, so far no one has been able to catch him.

No one except MOSKOVSKIY KOMSOMOLETS. While hiding from the authorities, he nonetheless met with us in order to tell what actually happened in October and April. The seriousness of his words was again confirmed by the tight security to which the "traitor of the homeland" resorted before our discussion. The vehicle carrying the "contacts" cruised through the empty streets of the capital for a long time, making sure that it did not have a tail. And only after that did we drive up to some kind of neglected vacant lot where Dzhavadov was waiting for us. The approaches to the place were thoroughly visible, so that if some uninvited guests were to come, we could always hide.

"Yes," Mair Dzhavadov sighed, "in addition to the fact that Moscow is filled with Aliyev's agents, your counterintelligence is also hunting me. And the reward is considerable...."

"I Was Ordered Not To Take Anybody Alive!"

[Dzhavadov] My name is Mair Bakhtiar Ogly Dzhavadov; I am 46 years old. Up until 1988, I worked in the organs of the procuracy, and my brother, who is two years younger than I am, in the police. When freedom came and the war began, my brother and I organized a home guard. We fought in Karabakh. And whether you like it or not, we ended up in the public eye. Rovshan became an OPON commander and then deputy minister of internal affairs. I became procurator of Khatainskiy Rayon in Baku.

[Khinshteyn] Did you contribute in any way to Aliyev's coming to power?

[Dzhavadov] We did not participate in the battles against Guseynov. We simply accompanied those who left and greeted those who came. True, at that time I said to my brother: It is impossible to stop Geydar; he will become president. But will we be able to exist under his regime? After all, Aliyev will not tolerate people who have a sense of their own worth." Rovshan answered: "Nonsense, nothing can happen, times are different now." He was very naive, my brother.

But we did not understand this at the time. We worked peacefully and did our jobs. My brother enjoyed a great deal of respect among the people; people saw him as a leader. We created and trained a republic karate team, and it took first place in competitions in Europe and third place in Japan. And, incidentally, there were 56 teams there! My brother headed the Association of Azerbaijan Democratic Youth.

[Khinshteyn] And when did you begin to feel that Aliyev was not the good person he seemed to be?

[Dzhavadov] This understanding came later, during the October events. Now I realize that Geydar was irritated by our popularity among the people and the fact that we never remained silent but said what we thought.... At the end of the summer of 1994 it became clear that some kind of work was being done regarding us. We were followed and our telephones were being tapped. Then suddenly, on orders from the minister of internal affairs, three Chechens who fought with us in Karabakh were arrested, and they began to force them to testify that my brother and I had summoned them to Baku especially to train for terrorist acts. Having learned of this, we wrote a statement to the president and the procurator general, and they were released. At that time Aliyev was still unwilling to engage us in the open....

[Khinshteyn] But what happened in October?

[Dzhavadov] In the autumn one young person was injured next to the OPON base in a suburb of Baku. Three OPON members were immediately accused of this crime. Since our name had always been linked to the detachment, I interrogated the victim, and he testified that the boys were not guilty. I intervened and would not let them blame our boys for the injury. At that time we did not understand that there was a deliberate policy to present us and the OPON as criminals. At that same time the vice speaker of parliament and the chief of the Special Administration were suddenly murdered. Now

I can see that this was very similar to the operation that was organized by the Germans in 1939 in order to attack Poland. They dressed their criminals in Polish uniforms, organized disturbances, and said that Poland had attacked Germany first. Apparently these people had become unnecessary, and they were killed on orders from Geydar.

And these three OPON members whom they wanted to "hang" previously were arrested again.... That was the first of October....

[Khinshteyn] That is, a day before the beginning of the uprising?

[Dzhavadov] There was no uprising. In fact it all happened like this: On 2 October some boys from the Kazakh OPON headed by their commander came to stay with me—they were on temporary duty in Baku. We were sitting and eating when suddenly we saw the republic procurator Umarov speak on television and say that the murderers of the vice speaker and chief of the Special Administration had been arrested and that one of them was Mair Dzhavadov's chauffeur. You can understand yourself: According to the law nobody can be considered a criminal without a court decision. The more so since an altogether different person had been working as my chauffeur. Now this guy was sitting in jail.

And right then I got a phone call—it was from the duty officer in the procuracy: "Procurator Umarov is looking for you."—"For what?"—"You will find out when you get there." After Umarov's speech on TV, anybody could see that something was wrong here. The boys (there were eight of them) said: "We will go with you."

But after we drove up to the procuracy, we saw that in front of the building were about 40 military and civilian people armed with automatic weapons. I told the boys: "Wait for me here. If a scuffle begins and you manage to come to my aid, I will be grateful to you. If not, I will not blame anybody."

And as soon as I went inside, some soldiers attacked me from behind. But these guys had never fought in a war, and they did not know how to act in extreme situations. I managed to get away, took the automatic rifle away from one of them and forced them to lie down. Right then the OPON members rushed up and we disarmed them all.

Having left five of the guys down below, three of them went with me upstairs to see the procurator. When I entered his office, I understood that he did not have any idea what had happened. Umarov probably thought that they had disarmed me and forced me to go see him because he started to yell: "You such and such, I am arresting you!"

In the meantime, his guard had gotten hold of some weapons. There was nothing left for me to do but open fire. But I aimed above their heads. The OPON members who rushed into the room backed me up. The guards were so frightened by this that they decided not to resist and jumped to the street from the third floor. "So why do you want to arrest me?!" The frightened Umarov answered: "It is an order from the president!" Suddenly the phone to the president's office rang and I answered—Aliyev was on the line. "You are speaking to the procurator of Khatinskiy Rayon Dzhavadov, they wanted to arrest me, they fired at me." Aliyev stated: "I know nothing about that."—"In any case I am beginning to act in compliance with the law, in a condition of necessary defense," I said and I hung up.

[Khinshteyn] As far as you know, was your brother in the building?

[Dzhavadov] Having heard what had happened, he and several dozen policemen came to the site. We immediately took up all-around defense and placed people around the windows. We did this just in time—troops began to surround us. And Aliyev announced to the whole world that the Dzhavadov brothers were trying to commit a coup d'etat and had taken the procurator captive. But, after all, we had all studied Lenin—you have to take not the procuracy but the parliament, the post office, the telegraph and telephone offices.

Soon the other deputy minister of internal affairs and commander of domestic forces entered the building. We began to explain that there had been no uprising. The procurator general had acted illegally and we demanded his resignation and the restoration of justice. They said: "We will speak with the president, he will receive you, but you must leave here." My brother answered: "It is dark now, and you have us surrounded with troops. Somebody will fire, we will respond, and the battle will begin. It is better to wait until morning." And when it was light, Rovshan went to the OPON base and I went there later. They telephoned us and told us that Aliyev would be expecting us at three o'clock. And suddenly the base was attacked by 30 tanks and the president again spoke on TV and declared us to be criminals. Then we called the tank commanders and ordered them to turn over all of their vehicles.

[Khinshteyn] How is that possible—to take away their tanks without a battle?

[Dzhavadov] It turns out that it is possible. The respect for us in the army was so great that the commanders obeyed our orders without question. At that moment we were very strong, and if we had wanted to take Baku, we could have done it without any problems. But we did not want a civil war.

[Khinshteyn] And as for the events in Gyandzh—did you participate in them in any way?

[Dzhavadov] The disturbances began when we were more or less confined to the base. Aliyev immediately accused Suret Guseynov of this, although it seems to me that this was another political game. Be that as it may, we were given the opportunity to demonstrate that we were not rebels. Rovshan and his detachment went to the presidential rally and declared that he was on Geydar's side. And the rebellion in Gyandzh was quickly quelled. But for my brother, this action was tantamount to suicide.

[Khinshteyn] That is, Aliyev "did not forget" you.

[Dzhavadov] Of course not. True, Rovshan continued to work in the Ministry of Internal Affairs, and I was not fired, and I was head of the trade union of independent entrepreneurs. But soon we began to feel that we were being followed again. The parliamentary elections were approaching, and we wanted to participate in them. But all this was disadvantageous to Geydar. He tried with all his might to get rid of the real, strong opposition and create his own, which would obey him. As a result, what had to happen sooner or later did happen....

[Khinshteyn] That is, March '95 came?

[Dzhavadov] What was written and said in the press about the events of March is untrue. In fact, it was all arranged by Aliyev himself, who decided to get even with us in that way. In March the OPON subdivision located in Kazakh was called to Akstafa on business. When they arrived there, they were unexpectedly attacked by the police. A disturbance began. And then the minister ordered Rovshan to go and bring order to the place. But there they fired at his vehicle and, moreover, by a secret order relieved him of his position. My brother understood it all. And he immediately returned to Baku and went into hiding at the OPON base.

[Khinshteyn] And what did you do?

[Dzhavadov] When Rovshan went into hiding at the base, they began to block my house with troops. Fortunately, I managed to evacuate my family, along with the other residents and began to make my way to my brother. They told me to surrender, but I knew that there was an order that we were not to be taken alive. Incidentally, it is in effect with regard to me to this day. Having taken several soldiers as hostages, I left and made my way to the OPON base.

Sometime toward nightfall, the president called in the OPON commander and his deputy. They came and said that they were prepared to lay down their weapons in the presence of the senior officer tomorrow at 1100 hours if he would revoke the order to disband the subdivision. Aliyev agreed to this demand and promised that all of that would be done. But he did not keep his word. At 3 o'clock in the morning, the attack began. Through cellular communications (all telephone lines were open) we made contact with the ambassador of Turkey and asked him to go to the president and explain that we were not rebels and that we were prepared to raise the white flag. Rovshan especially did not give the command to shoot anyone; we did not dig in and we did not spread out. And although they were the first to open fire, we continued to remain silent. Even after I found out that my brother had died. Rising up to their full height, he and his people went to the soldiers with the demand: "Do not fire!" But one of the provocateurs fired at him anyway. The OPON members were able to seize a vehicle and took him to the hospital, but an order had been given to all the doctors—do not render any assistance. And right there in the abandoned waiting room, he bled to death. This occurred after Rovshan had declared that he was raising the white flag. This was not a death in battle, this was real murder.

[Khinshteyn] And you?

[Dzhavadov] Not long before the attack, I left the base. At that time I had no idea what would happen. I spent a long time in the mountains on the border between Georgia and Azerbaijan together with some remaining OPON members from Kazakh. This was a mobile group, like a group of partisans, which Aliyev could never cover. Then I made my way to Russia. I am wanted by the Ministry of State Security, a large reward has been placed on my head, but I felt a certain amount of safety here. If your Special Services had been looking for me, they definitely would have found me, but they could not be bothered with that. Because they were fully aware what the "Dzhavadov uprising" really was.

[Khinshteyn] Do you know what is happening to your family?

[Dzhavadov] My wife and children are in hiding. All my friends and relatives have been arrested. About 10,000 people who were supposedly involved in the uprising have been thrown in jail. Many OPON members have been killed and maimed. But Aliyev will not get away with this.

[Khinshteyn] What will happen?

[Dzhavadov] Elections to parliament are to be held in the republic in October. Of course they will not be democratic, but this will lead to a social upheaval. Because Geydar Aliyev is actually not the president of all of Azerbaijan's people, but only of his own clan. He cannot keep this up long—Azerbaijan has plenty of enemies. It seems to me that Aliyev will not leave his post willingly, but a situation will develop in which he will be unable to rule any longer.

[Khinshteyn] Will you do anything to contribute to this?

[Dzhavadov] I will try as hard as I can to unite all the opposition forces. During this time I have finally understood that you cannot fight Aliyev with weapons in hands—he will send innocent soldiers into battle. He can only be destroyed politically. An underground "Organization for the Restoration of Law and Order in Azerbaijan imeni Rovshan Dzhavadov" has already been created. You will soon see the results of its actions. Aliyev was the last fairy-tale hero for our people. But you have to fight fire with fire.

[Khinshteyn] In your opinion, who will now occupy the niche of the Dzhavadovs and Guseynov as "enemies of the people"?

[Dzhavadov] Next in line is Speaker of the Chamber Rasul Kuliyev. It is now his turn to perish. I no longer have anything to lose. As long as Aliyev is in power in Azerbaijan, I cannot live peacefully there....

But in spite of that, toward the end of the conversation Dzhavadov admitted that he intends to leave Russia in a couple of days. He is incapable of staying there and not doing anything. Because weapons that are not used turn from death-dealing implements into harmless sticks.

"The President's Patience Has Run Out!"

Although it is said that there is only one truth, in fact there are many truths. Each side has its own. In order to hear the truth from official Baku, we arranged an interview with the ambassador extraordinary and plenipotentiary of Azerbaijan to Russia, Mr. Ramiz Rizayev.

[Khinshteyn] Mr. Rizayev, what is your assessment of the events of October 1994?

[Rizayev] The fact is that the republic's newly appointed procurator general, Umarov, is no angel, to put it mildly. At the same time, there have been forces that would like to take advantage of the weaknesses of one leader or another and stir up popular dissatisfaction according to the principle the worse the better. On 1 October the procurator general spoke on TV and said that, accused of committing a crime, the driver of one of the Dzhavadov brothers had been arrested, and he stated that he intended to relieve this Dzhavadov—Mair, the rayon procurator of Baku—of his duties. Of course, this was a gross mistake, apparently made in the heat of anger. But he had not managed even to get off the air before some OPON members headed by Mair Dzhavadov broke into his office, beat him up, and did not want to leave, demanding that he resign from the government. At the same time, events broke out in Gyandzh as well, and OPON units, expressing their dissatisfaction with the procurator, seized the mayor's office. I assume this was all part of the same thing, although their actions can hardly be said to be fully coordinated. They acted very crudely and clumsily. Apparently, the rebels thought that all they would have to do would be to rise up and the people would support them, but fortunately, nothing terrible happened. We managed to localize the situation in Baku as a result of negotiations. The same thing happened in Gyandzh as well—although there, it is true, several people died.

[Khinshteyn] It has been said that the putsch in Gyandzh was headed by the disfavored prime minister Guseynov.

[Rizayev] Of course, his people participated there. Gyandzh is Guseynov's home city.

[Khinshteyn] Is this why he fled while the Dzhavadovs remained in the country?

[Rizayev] The Dzhavadovs remained because they did nothing of the kind—they simply came and beat up the procurator. And, incidentally, it serves him right. All of our leader's wisdom in general consists in the fact that he allowed them to be forgiven and to mend their ways; as if speaking to small children, he said: Boys, do not do that again. Dzhavadov came to the rally in repentance: I was there with Geydar Aliyev. The president got up and said: They made a mistake, but they have admitted it, and we forgive them.

[Khinshteyn] You will agree that this is somehow abnormal. After all, Dzhavadov was not even fired as deputy minister.

[Rizayev] If Azerbaijan had not been engaged in war and covered with blood for so many years and the situation were not so tense— one might think that. But in this situation, when a person has apologized, it is unwise to be too hard on him. We were relying precisely on the idea that they would repent and the situation would calm down for awhile.

[Khinshteyn] Until March?

[Rizayev] Yes. In March on the border with Georgia, in the region of Kazakh, some customs officials confiscated about 100 tonnes of aluminum. There were reports to the effect that the OPON, taking advantage of the fact that they were not inspected, were moving contraband strategic goods across the border—copper, aluminum, petroleum products—they had been doing this previously as well. But this time our patience ran out. The president signed an edict for disbanding the OPON, and Rovshan Dzhavadov and several hundred commandos holed up at the base in Baku, refusing to obey the authorities and calling for the other OPON members to join them. This was a clear armed rebellion. They were given two days to lay down their weapons, but they were apparently counting on the idea that the OPON was such a strong organization that nobody could defeat them. As a result, about 30 people, led by Rovshan Dzhavadov, died, while his brother fled. They say that they are in hiding somewhere in your country, in Russia.

[Khinshteyn] It has been stated repeatedly that the Dzhavadovs and Guseynov were engaged in criminal business. Is that true?

[Rizayev] It has already been proven that Guseynov was involved in drug trafficking: he had entire plantations of marijuana. The OPON members were also engaged in this. Moreover, the OPON specialized in contraband. The disbanding of the detachment was the only possibility of normalizing the situation.

[Khinshteyn] How many people who participated in the uprising were arrested?

[Rizayev] About 250-300. There are about two dozen people who were discovered to be traitors to the state who are illegally in hiding in Russia. But your Special Services are not in any hurry to find them, in spite of the agreement on mutual exchange of prisoners.

[Khinshteyn] Is it possible that someone provoked the uprising?

[Rizayev] I do not think so. The Dzhavadovs did not need to be influenced by anybody to resort to this. They were simply trying to establish their own policies, but the law would not let them do that. And it will not let anybody else, either.

Mosazervinzavod

I must honestly admit that neither the disclosures of Mair Dzhavadov nor those of the ambassador seemed absolutely candid to me. Each of them has something to hide. The republic's ambassador must defend the honor of the uniform, and Dzhavadov must represent his actions as a clear necessity. If you pay attention, you will see that in conversation both leave out certain details that are disadvantageous to themselves.

But where is the truth? It probably lies somewhere in between.

While fully aware of all the fine points of diplomacy, we nonetheless must think about the real causes of these uprisings.

Even a blind person cannot fail to notice how many former party leaders have ended up as the heads of the now sovereign states (Nazarbayev, Shevardnadze, Niyazov, Karimov, Yeltsin, etc.). The president of Azerbaijan, a former member of the Politburo of the CPSU Central Committee and KGB General Geydar Aliyev are no exceptions to this rule. The old Bolsheviks recall that Aliyev, being practically the only person from the Caucasus in the Kremlin, was one of the most clever and cosmopolitan politicians.

Aliyev is a typical graduate of the school of office intrigues. Something like an Azerbaijan port wine bottled in Moscow. The methods to which he resorts in his republic are an exact copy of the communist conspiracies. In a short amount of time, Geydar Aliyev was able to fully dispense with his opposition, weed out his strong allies who were capable of causing him inconvenience at any moment, and begin to rule the country autocratically. The president's peculiarity consists in the fact that he is able to turn any situation to his own advantage. This same thing can apply fully to the OPON "uprising."

As we know, in October 1994 the situation in the republic heated up to the extreme. The murders of the vice speaker and chief of counterintelligence created all the preconditions for an outburst of popular dissatisfaction. Everything was also exacerbated by the position of Prime Minister Guseynov, who finally fell out with the president. The best way out of this situation was to take advantage of the utterly unbridled OPON, which had turned into some kind of gangster formation specializing in contraband.

It is no accident that Procurator General Umarov, fully aware of the illegality of his own actions (he is a lawyer, after all!), announced on TV that Mair Dzhavadov's chauffeur had participated in the murders. The procurator could not have failed to understand the reaction that such a statement would cause, from which one can draw only one conclusion—some more highly placed bureaucrat had asked him to do this. And the procurator, as we know, answers only to the president.

The result was not slow in coming. The crazed OPON members broke into the Procuracy but, understanding that the fate of putsch perpetrators awaited them, rapidly switched to Aliyev's side. Thus, there was a split in the opposition camp, and Guseynov was destroyed. But, having made this move, the Dzhavadovs thus finally placed themselves on the edge of the abyss. Deprived of their natural ally, they were no longer to be feared.

At least this is what is shown by the subsequent course of events. After all, it is obvious that it would have been no problem to arrest OPON members engaged in contraband even before April. It is even more obvious that even if there are a dozen criminals, this does not mean that the entire structure is engaged in crime. Therefore, Aliyev's edict to disband the OPON was also a clever move that forced the Dzhavadovs to resort to extreme measures.

And Aliyev crushed them as an armored personnel carrier would crush a football. If they wanted to stay alive, the Dzhavadovs had only one way out—to flee. But then they would have to finally give up their strength and power, which, of course, they did not want to do. It would have been the same thing as agreeing to Aliyev's edict. They chose death.

Perhaps this is what forces us to sympathize with the devil-may- care OPON members much more than the cautious intriguer Aliyev. Honest battle is always preferable to a sneaky blow from behind.

Incidentally, this is what distinguishes politics from war.